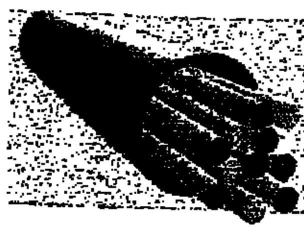
FINANCIAL TIMES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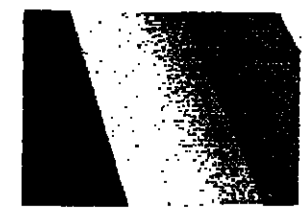
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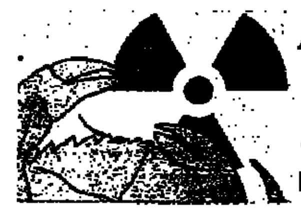
Alice Stewart
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World Business Newspaper THURSDAY JANUARY 19 1995 D8523A

PepsiCo campaign aims for top spot in world cola markets

PepsiCo is launching a multimillion dollar attempt to break Coca-Cola's dominance of international cola markets, with a series of television commercials which will test the laws of comparative advertising. The advertisements, to be screened in 30 countries, will take a humorous swipe at Pepsi's rival. They will include scenes of an elderly Italian woman falling asleep over a Coke or of supermodel Cindy Crawford (above) reviving a Pepsi drinker, mention Coke by name and feature its distinctive cans. Such explicit presentation of a rival's product is banned in some countries. Page 12

Groupe des Assurances Nationales, France's state-controlled insurance company, confirmed it would need a recapitalisation from the government of up to FFr3bn ($566m) to cover losses for the 1994 financial year. Page 13

British inflation rises: UK government ministers played down fears that another sharp rise in interest rates was needed to stop the economy overheating, as official figures showed a big jump in inflation and one of the largest falls in unemployment on record. Page 12 and Lex; Samuel Brittan, Page 10; Editorial Comment, Page 11

Clinton shores up Mexico package: President Bill Clinton moved to shore up crumbling support for a $40bn package of loan guarantees to Mexico, as worries that congressional approval could be delayed depressed the Mexican stock market and the peso. Page 5

US and Russia say ties will endure: The US and Russia pledged to keep their relationship intact after a two-day meeting, but both sides acknowledged there were substantial differences over security issues. Page 3

IBM judge removed after 40 years: The 84-year-old US judge who has overseen IBM's anti-trust battle for the last 40 years has been removed from the case by a federal appeals court which questioned his impartiality. Page 5

Chinese inflation eases: Inflation slowed in China in December for the second successive month, reversing a trend that pushed annual consumer price rises in late 1994 close to 30 per cent. Page 4

Digital Equipment, struggling US computer group, reported a return to profitability in its second fiscal quarter with a modest increase in revenues and sharp cost cutting, including the loss of 8,200 jobs or 11 per cent of the workforce. Page 13

BTR, UK based industrial conglomerate, will announce today that Ian Strachan, deputy chief executive of mining group RTZ Corporation, will succeed Alan Jackson as its chief executive early next year. Page 13

US Nintendo fights Samsung: Video game maker Nintendo of America has started legal action against Samsung, accusing the Korean chipmaker of supplying chips with Nintendo software to people pirating one of their most popular games. Page 16

Drug sales rise: Drug sales in the world's 10 biggest markets reached $100bn between January and October last year, a 5 per cent rise over the same period in 1993. Page 6; Roche and Pfizer results, Page 14, Lex, Page 12

Spain 'on track' for Emu: Spain is on track to reduce its budget deficit to 3 per cent of gross domestic product by 1997 in line with the Maastricht treaty's conditions for economic and monetary union, said Spanish finance minister Pedro Solbes. Page 2

Czechs seek higher retirement age: The Czech cabinet passed a controversial draft law which will raise the retirement age for men from 60 to 62, and for women from 54-57 to 57-61, depending on the number of children they have.

Brussels defeated on big bikes: A European Commission plan to ban powerful motorcycles from European Union roads was defeated by European MPs. The proposal would have limited the power of motorcycle engines to 100 brake horsepower, affecting bikes above about 650cc.

Stone Age cave paintings found: Caves containing 300 perfectly preserved Stone Age paintings of bison, reindeer, rhinoceros and other animals – apparently untouched for some 20,000 years – have been discovered in southern France.

Earthquake island mourns its dead with flowers

By Emiko Terazono in Awajishima, Japan

Amid the slow chant of the Lotus Sutra by nine Buddhist monks clad in purple and saffron, the residents of Hokudancho, on the island of Awajishima, gathered yesterday for the joint funeral of 38 earthquake victims.

White chrysanthemums were laid in front of the coffins, placed on a stage in the town hall auditorium. Three of the coffins were smaller than the others, for children who lost their lives in Tuesday's earthquake, which had its epicentre below the island.

Families of the victims sat in the front rows, wrapping themselves tightly in relief blankets. "My house fell on me, but I was rescued by my brother," wept one relative. "I'm sure mother was also waiting for help." One middle-aged woman staggered out of the auditorium in tears, supported by family members.

Although Awajishima did not see the widespread fires of nearby Kobe, old-style houses in the northern part of the mountainous island were destroyed. Many of the victims were those who could not be rescued from under rubble of their homes.

In Hokudancho, many residents were forced to take shelter in the town hall. Although attending the funeral, some chose to remain under blankets and covers as if to shut out reality. Others tried to look on the bright side. "We should be grateful that at least we're alive," said an elderly woman.

The death toll from the Kobe earthquake passed 3,000 last night, with more than 850 still unaccounted for under the rubble.

Rescue efforts appeared dwarfed by the growing disaster, as fires continued to blaze in central Kobe and infrastructure remained crippled two days after Japan's worst earthquake for nearly 50 years. There are signs that the damage bill could be far higher than last year's Los Angeles earthquake, where costs were calculated at $20bn.

Reports, Page 4; Observer, Page 11

Among those who had died in Hokudancho were an 11-month-old baby and a two-year-old child. Before the small coffins were carried on to wagons for cremation, the father of one child, his eyes red from grief, peered into the small coffin, and placed there a box of chocolates.

Friends of the children cried silently as the coffins were carried away. But even as people paid their respects to the dead, after-shocks from the earthquake, accompanied by a deep growling sound, shook the island.

"Luckily we have enough food and other supplies sent to us, but the water pipes have been totally destroyed," the Hokudancho mayor told people in the auditorium. "This [earthquake] is no one's fault; we just have to help each other and live through it."

New tremors, although small, have kept residents of Awajishima awake. Mr Takuhei Tono, a middle-aged resident, said the shaking made more real the predictions by seismologists that a big aftershock would hit the region within 10 days.

In Ichinomiyacho, just south of Hokudancho, the damage was not as bad and residents returned in spite of police warnings that some houses were in danger of crumbling. They carried out whatever they could including food and bedclothes.

The island's residents are mostly part-time farmers, cultivating flower and fruit fields, and commuting to offices in Kobe and Osaka. For some farmers in the south, there was little damage to property, and it was almost life as usual yesterday as they tended flowers to be shipped to other parts of the country.

A large statue of a goddess survived in the south of the island, but many shrines and temples in the north were destroyed.

Balladur joins Chirac in French presidency race

By David Buchan in Paris

Mr Edouard Balladur, the French prime minister, yesterday declared his long-expected candidacy for the presidency, claiming that he had got the economy "moving forward again" and that he would secure a "prosperous, fair and influential" future for France.

The 65-year-old prime minister's decision brings into the open the split in his Gaullist RPR party, whose long-time leader, Mr Jacques Chirac, is also campaigning for the presidency.

In spite of Mr Balladur's overwhelming lead in the opinion polls, two-thirds of RPR parliamentary deputies and regional federations have declared for Mr Chirac. Mr Balladur has all but four of his 29 ministers on his side, as well as the rank and file of his centre-right UDF coalition partner.

In an eight-minute television broadcast, Mr Balladur said he planned to wage a "positive, serene and optimistic" campaign for the two-stage election. There will be a final run-off on May 7 between the two candidates who receive the most votes in the first round of voting on April 23.

Balladur exploits his novelty appeal ....Page 2
Editorial Comment .....Page 11

French presidents are elected for seven years.

The Socialist party will choose its candidate on February 5, and there is still an outside chance of Mr Raymond Barre, the former prime minister, or Mr Charles Millon, the UDF parliamentary leader, running in UDF colours.

Competition for the Socialist nomination – turned down last month by Mr Jacques Delors, the outgoing European Commission president – revived yesterday as Mr Henri Emmanuelli, the party first secretary, entered the fray against Mr Lionel Jospin and Mr Jack Lang, two former education ministers.

As prime minister in office and frontrunner in the polls, Mr Balladur yesterday made no mention of Mr Chirac or the seven other declared candidates.

Promising more detail during the campaign, he kept to generalities about "indispensable reforms" in employment, education, the fight against corruption, and about making France "the motor of European progress".

The campaign coincides with France's chairmanship of the European Union Council of Ministers, so other European governments, as well as French voters, will want to know what line Mr Balladur as president would take in next year's EU constitutional conference.

Mr Balladur's rivals were quick to respond yesterday. Mr Jean-Louis Debré, Mr Chirac's campaign manager, said he was baffled that the prime minister should run on a platform so similar to that of Mr Chirac, while 18 RPR deputies revived the potentially damaging charge of Mr Balladur's alleged betrayal of Mr Chirac.

They took a full-page advertisement in the Libération newspaper to reprint Mr Balladur's statements before he became prime minister in April 1993 that he would not use the office as a springboard for the Elysée.

Complaining of Mr Balladur's soporific style, the Socialist Youth Movement said: "Having Balladur as president would be like dressing France in pyjamas for seven years."


Balladur: plans 'positive, serene and optimistic' campaign Reuter

Volvo to expand its automotive operations in Europe

By Kevin Done in London and Christopher Brown-Humes in Stockholm

Volvo, the Swedish car and commercial vehicle maker, yesterday announced plans to invest around SKr5bn ($671m) in the expansion of its car and truck businesses in Europe.

The group is moving aggressively to strengthen its automotive operations after the collapse of its planned merger with Renault, the majority French state-owned vehicle maker, more than a year ago.

The expansion comes as Volvo's profitability is recovering in response to a tough restructuring programme carried out during the recession and to rising demand in world auto markets.

Volvo, the world's second largest heavy truck maker, is investing SKr1.7bn to expand its truck production outside North America by 20 per cent to 60,000 trucks a year by 1997.

In other moves it is:

- joining forces with TWR, the specialist UK automotive engineering group controlled by Mr Tom Walkinshaw, to produce

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Volvo takes wraps off expansion strategy, Page 15

Fate of Italian government in balance

By Robert Graham in Rome

The fate of Italy's 54th postwar government hung in the balance last night as moderates in Mr Silvio Berlusconi's Forza Italia movement yesterday sought to head off a direct clash between the former premier and Mr Lamberto Dini, his newly appointed successor.

At the same time Mr Dini appeared ready to woo Mr Berlusconi and his allies in the outgoing rightwing coalition by offering them some junior ministers' jobs.

But as Mr Berlusconi formally handed over his office to Mr Dini at the Palazzo Chigi yesterday, the two men themselves gave little sign of being willing to compromise. Mr Berlusconi remained furious over the way Mr Dini had ignored pleas to include ministers openly sympathetic to the coalition in the cabinet. The government's precarious plight left the financial markets nervous with the lira trading at L1,055 against the D-Mark.

As the 20 strong cabinet of

Continued on Page 12
'Nothing personal', Page 2
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Santer Commission wins MEPs' support

By Lionel Barber in Strasbourg

The European Parliament yesterday gave a resounding vote of confidence in the new European Commission led by Mr Jacques Santer, averting a confrontation with EU governments.

After a two-day debate, the parliament rallied behind Mr Santer and voted to support the 20-member Commission by 416 votes to 103, with 59 abstentions.

The vote marked a coming of age for the 626-member parliament. Along with recent EU members from Austria, Finland and Sweden, the MEPs exercised new powers granted under the Maastricht treaty to approve or vote down the incoming Commission as a whole.

But, in a deft performance, Mr Santer called the Parliament's bluff over its criticism of five commissioners. His promise to upgrade or personally supervise policy on equal opportunity, development policy and human rights deflected calls for a reorganisation of portfolios.

"I am very happy with the result," said Mr Santer. Yesterday's vote was also considerably stronger than the lukewarm endorsement he won from the Parliament last July.

Mr Klaus Hänsch, speaker of the Parliament, said the vote of confidence strengthened the democratic legitimacy of the Commission. "There are two winners: the new Commission and the Parliament," he said. "You don't only exert influence by saying No, you can also carry weight by saying Yes."

Despite mutual expressions of bonhomie, the manoeuvring pointed to a future power struggle between the Parliament, the Commission and the EU's governing Council of Ministers, which is likely to come to a head during the 1996 inter-governmental conference to review Maastricht.

Many MEPs remained outraged by an alleged remark by Ms Ritt Bjerregaard, the new Danish commissioner, that the Strasbourg assembly was "not a real Parliament", though she insisted that she had been misquoted.

Mr Santer held three conversations with Ms Bjerregaard to extract a pledge to respect and co-operate with the Parliament. Aides described the new commissioner as "unbelievably stubborn".

The Santer Commission will begin its five-year term on Monday after EU foreign ministers rubber stamp the necessary legal documents. One of its first challenges is to deal with French demands for a revision of the television without frontiers directive, to restrict the import of cheap foreign film and television programmes, particularly from Hollywood.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	3,915.86	(-14.80)
NASDAQ Composite	769.6	(-2.54)
Europe and Far East		
CAC40	1,860.27	(+3.3)
DAX	2,078.85	(-5.02)
FT-SE 100	3,054.9	(+0.5)
Nikkei	19,223.3	(-18.01)

US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.885%
Long Bond	96⅜
Yield	7.766%

OTHER RATES

UK: 3-mo Interbank	6 17/32%	(6½%)
UK: 10 yr Gilt	87 17/32	(87 13/32)
France: 10 yr OAT	95.66	(95.13)
Germany: 10 yr Bund	99.07	(98.70)
Japan: 10 yr JGB	96.445	(96.145)

NORTH SEA OIL

(Argus) Brent 15-day		
(Mar)	$16.745	(16.655)

GOLD

New York Comex		
(Feb)	$382.6	(380.6)
London:		
close	$383.0	(377.6)

DOLLAR

New York lunchtime		
£	1.56865	
DM	1.53345	
FFr	5.298	
SFr	1.29125	
Y	99.655	
London:		
£	1.5715	(1.5662)
DM	1.53	(1.532)
FFr	5.2875	(5.296)
SFr	1.288	(1.2875)
Y	99.425	(99.075)
Tokyo close:	Y 98.94	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.50	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

CONTENTS

Berlusconi and allies thwarted by new PM, writes **Robert Graham**

Dini victim of others' political ambitions

The cynical treatment of Mr Lamberto Dini, Italy's new prime minister, by his colleagues in the outgoing government is reminiscent of the traditions of mafia gunmen. When the hitman confronts his victim and pulls the trigger, he mutters: "It's nothing personal."

In withdrawing support the moment Mr Dini presented his cabinet to President Oscar Luigi Scalfaro, former premier Silvio Berlusconi and allies have sought to stop the new administration in its tracks. This had little to do with the person of Mr Dini, one of the few distinguished ministers serving under Mr Berlusconi, or with those chosen for the slimmed-down 20 person cabinet – even though there were complaints about the failure to include ministers from the outgoing right-wing coalition.

The real reason was much cruder. The nature of Mr Dini's emergency mandate conflicts directly with the political ambitions of Mr Berlusconi and his allies.

A successful Dini government, the second to be headed by a technocrat premier from the Bank of Italy in two years, would highlight the inadequacies of Mr Berlusconi's eight month period in office. More important, the longer Mr Dini stays prime minister, the more Mr Berlusconi becomes separated from the apparatus of power. Also, the media magnate turned politician cannot sustain indefinitely the sympathy vote he is drumming up as the supposed victim of a plot to remove him from power.

Mr Berlusconi therefore needs quick elections. As a compromise to break the deadlock last week over his resignation, he accepted Mr Dini as premier of a government of technocrats on condition that elections be held no later than June. At first he demanded elections at the end of March.

President Scalfaro made no public commitment to a date for elections. Nor did Mr Dini, as this would make the government hostage to fortune. Besides, a June election would allow the new government less than two months effective operations as 45-60 days have to elapse between the dissolution of parliament and the holding of elections.

Two months would be extremely short for the four essential tasks Mr Dini has set his government – improving public finances (an early mini-budget), reforming the deficit-ridden state pensions system, introducing new regional electoral laws and providing for more balanced controls of the media.

If Mr Berlusconi did not realise these considerations when he agreed to back Mr Dini for premier, then he was poorly advised. Alternatively, he and his main ally, Mr Gianfranco Fini, the leader of the neo-fascist MSI/National Alliance, wanted to sabotage the operation from the outset.

Mr Dini now has less than a week to persuade Mr Berlusconi and his allies to change their minds and back him in the parliamentary vote of confidence which the new government must face. The 63-year-old premier has at best a razor thin one or two seat majority in the chamber of deputies with the support of the centre parties, the moderate left and a full complement of the Northern League. Reconstructed Communism, the hard core of the old Italian Communist party, will vote against Mr Dini on the grounds that a left-wing party cannot support a free-market government of the centre-right.

Yesterday it looked as though Mr Dini might just scrape through the vote. Failure would make it very difficult for President Scalfaro to find someone else. It would also be a blow to the head of state's prestige, having staked everything on avoiding early elections.

The cabinet team Mr Dini has put together reflects his commitment to President Scalfaro to find technically able people with little direct connection to political parties. None is a sitting member of parliament and only two have had previous ministerial experience.

Mr Dini has relied heavily on academia with seven out of 20 coming from Rome's Sapienza University. Some are old acquaintances identified with the former Andreotti wing of the Christian Democrats. He retains the key treasury portfolio but has appointed Mr Dino Piero Giarda, a senior Treasury official, as his deputy. The budget portfolio has gone to the respected economist Rainer Masera, the head of Imi; while the finance ministry is filled by Mr Augusto Fantozzi, a tax expert who has not always agreed with Mr Giulio Tremonti, the outgoing minister and author of tax reform proposals.

The labour ministry, due to play a vital role in dealing with pension reform, has gone to Mr Tiziano Treu, a leading labour law expert and respected by the unions with whom he will have to deal. The posts ministry, which will have to tackle reform of television licensing, has gone to Prof Agustino Gambino, one of the three men selected by Mr Berlusconi to draw up anti-trust legislation on his media holdings. One novelty is the introduction of a military man, General Domenico Corcione, former chief of defence staff, to head the defence ministry.

Mr Dini on his way to work at Palazzo Chigi yesterday Reuter

Austrian shoppers cream off benefits from EU

Vienna is all about champagne and whipped cream. So what could make the Viennese happier than sudden and massive price reductions to these two frothy adjuncts to the good life?

On January 2, the day shops opened after the new year holiday, the Viennese could hardly believe their eyes. The price of a quarter litre of whipping cream had halved to less than Sch10 (92 cents).

Ever since, shoppers have had to get to the supermarkets before noon if they want to get their beloved Schlagobers. "It is unbelievable. Can people really be hoarding whipping cream?" asked one Viennese homemaker last week.

The fall in champagne prices is less dramatic, but nevertheless welcome, at around 10 per cent, thanks to the removal of tariffs protecting the local Sekt.

And this is only the beginning. Over the next few months, prices on a broad range of consumer items, from cars to insurance policies, should fall markedly.

The cause of this windfall is undebatable. It is Austria's entry into the European Union.

The sudden big price cuts on many food products in Austria were predictable because the country agreed to join the Common Agricultural Policy (CAP) from the moment it became a member of the EU. While many people look on the CAP as an expensive farm subsidy system, Austria's own subsidy system was even more bloated.

Thus the real costs of dairy and grain related products slumped overnight and the leading supermarket chains made the most of the situation by launching price wars. One claimed it was cutting prices on 800 items, another responded with reductions on more than 1,000.

In some stores, milk is down by a fifth to Sch8 per litre. White flour has tumbled two thirds. "Ab sofort billiger!" ("immediately cheaper") shout signs in the Billa supermarket chain decorated with a circle of blue EU stars.

Prices of many processed products have come down well before the raw material price changes can have been felt. Margarine and butter are down by 15 per cent to 20 per cent. Declines in others, notably beer, are expected soon.

Mrs Brigitte Ederer, European affairs minister, has predicted that EU membership will save Austrians some Sch1,000 per month on grocery shopping bills.

Complaints from farmers have been muted so far as they will receive direct payments over the next three years to cushion the blow. EU support for mountain farmers will be more generous than the local one.

In other sectors EU competition rules are forcing change. The Austrian National Bank last week announced that it would stop allowing the savings banks' central institutions to earn 2.5 per cent on minimum reserves at the central bank. This has been a blatant discrimination in favour of the savings banks worth some Sch600m a year. Commercial banks receive no interest on their minimum reserves.

A domestic cement cartel has had to be scrapped, but it had been pretty well undermined in the past five years by cheap imports from eastern European countries.

Mr Helmut Kramer, director of the Austrian Institute of Economic Research, says he is now confident that inflation will fall from last year's 3 per cent to 2.5 per cent this year.

Real economic growth will reach 3 per cent, he predicts, the same level as last year and restrained only by a rapid increase in import penetration in sectors where Austrian suppliers have suddenly become uncompetitive.

Ian Rodger

EUROPEAN NEWS DIGEST

Accountants in Procedo action

The German arm of Price Waterhouse, the international accountancy group, has made a preliminary legal claim of DM2.34bn ($1.53bn) against Procedo, the factoring company linked with Balsam, the sports flooring concern which collapsed last year. It said this was a precaution in case it had to pay damages to Procedo's creditor banks, which have accused the auditor of failing to spot fraud. Price Waterhouse also said it would submit a similar claim against Balsam and two Balsam managers. Price Waterhouse said its lawyers believed Balsam and Procedo bore responsibility for deceiving the auditors about the fraud.

Procedo filed for protection from creditors last summer with bank debts of DM1.8bn. This followed alleged fraud at Balsam, its biggest client. As Balsam's factoring agent, Procedo bought up most of the company's claims on customers. But the invoices mostly turned out to be worthless. The contracts had been inflated or fabricated, creditors alleged. Price Waterhouse and its unit FMP were auditors for Balsam, whose management board is under arrest for allegedly obtaining credit through fabricated data and using the money for foreign exchange speculation. The creditor banks are preparing a DM250m claim against Price Waterhouse but the auditing firm said the banks' claims were unfounded and it was defrauded in the same way as the banks. *Andrew Fisher, Frankfurt*

French discover cave paintings

The French government yesterday announced the discovery of a series of underground grottos containing some of the most important prehistoric wall paintings unearthed for many years. Researchers in the Ardèche region in southern France are studying more than 300 pictures in the caves left by prehistoric painters between 18,000 and 20,000 years ago. The discovery, made in December, was kept secret until this week to ensure the paintings' security.

The paintings could radically change archaeologists' understanding of the region's habitat in the prehistoric period because they include pictures of animals, such as the rhinoceros, not previously known to exist at that time. Archaeologists said the paintings were at least as significant as those discovered at the famous sites of Lascaux and Altamira. The paintings include human hands, a large number of individual animals and herds, and fighting scenes of lions, horses, bison and panthers. Mr Jacques Toubon, minister of culture, said he was "extremely moved" by the discovery, which would lead to a considerable scientific programme. *Andrew Jack, Paris*

Germany refuses UN appeal

Germany yesterday told Mr Boutros Boutros Ghali, United Nations secretary general, that it was not prepared to set aside troops from the Bundeswehr for the UN's planned rapid reaction forces. Mr Boutros Ghali, who yesterday met Chancellor Helmut Kohl, Mr Klaus Kinkel, foreign minister, and Mr Volker Rühe, defence minister, wants Germany to play a greater role in the organisation's peacekeeping operations. But there is no political consensus among Germany's main political parties or between the foreign and defence ministries about the extent of Bonn's military role in the post-cold war era. "In principle we support the idea of this standby troop arrangement. But each case has to be considered. Also, we are still waiting to know the command structure of these units," a foreign ministry official said. Germany first committed troops to the UN in 1993 after it was ruled no longer unconstitutional for German troops to serve out of Nato territory. Germans already man Nato's Awac aircraft over Bosnia and recently Bonn said it was prepared to send troops to help if UN forces withdraw from the former Yugoslavia. *Judy Dempsey, Bonn*

New measures to defend rouble

The Russian central bank, in its uphill struggle to defend a plummeting rouble, yesterday imposed tough new reserve requirements on commercial banks. Bankers were critical of the rules and sceptical that they would help the rouble. The central bank introduced a measure requiring commercial banks to convert 2 per cent of dollar holdings into roubles at the interbank exchange rate and to deposit these roubles with the central bank. It also increased the reserve rate for short-term liabilities from 20 to 22 per cent. These measures come on top of Tuesday's requirement for commercial banks to reduce their open currency positions by 30 per cent. The rouble, which was trading at 3,883 to the dollar on the interbank exchange yesterday and changing hands among dealers at even lower rates, showed few signs of recovery. *Chrystia Freeland, Moscow*

UN commander flies to Tuzla

General Sir Michael Rose, UN commander in Bosnia, yesterday flew to Tuzla, the north-eastern Moslem stronghold, in an effort to end a blockade by Bosnian government forces of UN troops. Bosnian government forces have blockaded some 1,000 UN peacekeepers for eight days in protest against the deployment of a Serb liaison officer at the Tuzla airfield.

In Sarajevo, a session of the assembly of the Moslem-Croat federation was cancelled yesterday when Mr Kresimir Zubak, Croat president of the federation, refused to step down in favour of Mr Ejup Ganic, Moslem vice president. The federation agreement, which was brokered last spring by Washington, to end a year of fighting between the Moslems and Croats, calls for the post to be rotated between the two communities every six months. The Croats argue that if Mr Ganic becomes president the Moslems will hold all key posts in the federation. *Laura Silber, Belgrade and Anthony Robinson, London*

German shopping hours study

Mr Günter Rexrodt, German economics minister, said support for the liberalisation of shopping hours seemed to be increasing but he did not intend to force the issue ahead of a study due this summer. After meeting retailing associations on Tuesday night, he said he would now invite trade unions for discussions. Unions are hostile to any relaxation of shopping hours as they believe this would put more pressure on their members. Mr Rexrodt said opinion among retail groups ranged from support for complete liberalisation to maintenance of the status quo. *Andrew Fisher, Frankfurt*

ECONOMIC WATCH

Rise in Dutch unemployment slows

Source: Datastream

Registered unemployment in the Netherlands rose by 6 per cent to 480,000 people in the three months ended December 31, 1994 from the same period a year earlier, the Dutch Central Bureau for Statistics reported yesterday. While the year-on-year increase continued a two-year trend, the latest data indicate the rise has started to level off. The number of registered unemployed in the last quarter of 1994 amounted to 7.4 per cent of the Dutch labour force, compared with 7.6 per cent in the September-November period, and 7.1 per cent in the last quarter of 1993. *AP-DJ, Amsterdam*

■ Consumer prices in Austria were unchanged in December from November and were up 2.6 per cent from a year earlier.

■ Bulgaria posted a current account surplus of $403.6m in the third quarter of 1994 after a $182.2m surplus in the previous quarter.

■ Slovakia's industrial output rose by 8.3 per cent in November compared to the same period last year.

Balladur exploits his novelty appeal

France's PM may be the oldest candidate but is relatively new on the scene, writes **David Buchan**

EUROPEAN PROFILE

One of the undoubted attractions for a jaded French public of Mr Edouard Balladur, who yesterday formally announced his bid for the presidency, is that he is a relatively new product on the market.

It may seem odd that the 65-year-old prime minister should be regarded as a novelty, particularly when he is older than anyone else in the race, including his Gaullist rival, Mr Jacques Chirac, two years his junior. But compared to Mr Chirac, thrice a minister and twice prime minister, Mr Balladur came to the prime minister's Matignon office in April 1993 having been a minister for only two years – in 1986-93 – and with little parliamentary experience.

True, he has won election three times, but French MPs must resign their seats when they become ministers. Mr Balladur thus only sat on the benches of the National Assembly during the 1988-93 years of conservative opposition.

It would in any case be hard to imagine him emerging out of the burly-burly of a British or German parliamentary system. Mr Balladur has an oriental aura of smooth inscrutability, a quality that could be glibly attributed to being born into an expatriate French banking family in Smyrna (Izmir in modern Turkey) if it were not for the fact that his parents moved to France when he was very young.

By contrast, it is far easier to picture him as the senior official that he was for Georges Pompidou when the latter was prime minister (1963-68) and president (1969-1974), gliding in Jeeves-like with dossiers and advice to help his master crack such crises as the May 1968 insurrection.

By giving pay increases to the unions, the then government deflected workers from joining the students *en masse* on the streets. The experience left Mr Balladur with a fear of social explosion recurring, which showed itself when he yielded to Air France strikers in autumn 1993.

Equally, one could see him as a priest; he is said to get his socks from Rome to go with his old-fashioned three-piece suits from London. Indeed, when the death of President Pompidou in 1974 brought his Elysée service to an end, the incoming administration of Mr Valéry Giscard d'Estaing offered him the ambassadorship to the Vatican. He refused, and began a long stretch in business.

He worked first for the company building and operating the Mont Blanc tunnel, close to his present-day holiday home at Chamonix, and then for the CGE company which eventually became today's Alcatel group. The associations and friendships he developed during this period, with the likes of Mr Pierre Suard of Alcatel and with the Rothschild family, bolster his image as a "grand bourgeois", though one with an austere work ethic. He rises very early in his apparently rather gloomy 19th century-style apartment near the Trocadero, and is generally at his Matignon desk by 7am.

> Mr Balladur came to the premier's office having been a minister for only two years

On the road to becoming favourite for the presidency, he has had his share of luck. "There is no great career in which chance does not play a role," he noted last year. That was before Mr Jacques Delors, the European Commission president and the only man to top Mr Balladur recently in the opinion polls, decided not to run for the Elysée. So, Mr Balladur might have had in mind the way his erstwhile patron, Mr Chirac, enticed him back into politics, parachuted him into a well-to-do constituency in Paris's 15th arrondissement in 1986, and then promptly made him finance minister in his government.

But Mr Balladur bridles at Mr Chirac's charge that he betrayed an understanding whereby he got the Matignon in return for leaving Mr Chirac with a clear run at the Elysée. The Balladur camp insist, probably rightly, that their man became prime minister because Mr Chirac did not want the job again, and that even if the latter had desired a third stint in the Matignon, President François Mitterrand would never have allowed it.

It is, however, equally true that back in 1990 Mr Balladur had lulled any Chirac suspicions by writing that a new prime minister should not himself run for the Elysée. Sometime thereafter Mr Balladur changed his mind. Quite when is not clear – perhaps as long ago as April 1993 when he effectively widened his own political base by giving more than half the cabinet jobs to the centre-right UDF federation, the RPR Gaullists' coalition partner; perhaps later that year when he had brought France through the Gatt crisis.

All he will say is that "one day I had the feeling I could do a little less badly than the others". This double negative is very Balladurian, illustrating the inner resolve and outer caution of the man. Typical of this caution is Mr Balladur's expressed hope to reduce the record number of 3.3m unemployed by 200,000 a year over the next few years; he resolutely refuses to turn this into an election "pledge", even though figures and forecasts by Insee, the official statistics agency, show that precisely such an improvement is currently taking place in the job market.

In his 22 months in office, he has started to reform the welfare, health and pension systems and to relaunch privatisation, thus partially refuting charges, from the right as well as the left, that he has been a do-nothing prime minister. But he has never claimed that the fact that he has had to "cohabit" with a Socialist president has restrained him from moving faster, acknowledging rather that the pace of reform has been more determined by his own cautious temperament.

Indeed, he believes his *douce cohabitation* with President Mitterrand has been a cause of his popularity. In press conferences at European or bilateral summits with foreign leaders, he has sat demurely listening to his chief of state, and biding his time. Now he reckons that time has come.

Spain 'on track' to cut budget deficit

By David Marsh and Tom Burns in Madrid

Mr Pedro Solbes, Spanish finance minister, said yesterday Spain remained on track to reduce its budget deficit to 3 per cent of gross domestic product by 1997, in line with the Maastricht treaty's conditions for European economic and monetary union (Emu).

In the face of financial market doubts over Spain's economic strategy, Mr Solbes outlined plans for fresh spending cuts next year, in addition to a new package of 1995 budgetary savings which will be implemented before the end of this month.

Mr Solbes said in an interview he was confident of a rapid end to the last 10 days of exchange rate turbulence which has prompted strong selling pressure on the peseta, weakening the currency to Pta87 to the D-Mark. "The economic fundamentals are good," he said, adding that he hoped the peseta would soon return to Pta85 to the D-Mark, the exchange rate at the end of last year.

The peseta has weakened amid doubts over the stability of the minority government of Mr Felipe González, the prime minister, following a string of political scandals. Mr Solbes said the foreign exchanges were "paying too much attention to political uncertainties" and he emphasised that the government would not bow to opposition calls for early general elections.

According to authoritative estimates in Madrid, the Bank of Spain sold DM4bn ($2.6bn) on Tuesday of last week when the Spanish currency touched Pta88 to the D-Mark. However Mr Solbes refused to comment on the central bank's reported intervention, saying only that the institution had "comfortable reserves".

Mr Solbes brushed aside doubts about Spain's ability to fulfil its Emu convergence programme, announced last summer, under which the budget deficit is due to be reduced to 5.9 per cent of GDP this year, to 4.4 per cent in 1996 and to 3 per cent in 1997. Last year's budget deficit is estimated to have been 6.7 per cent.

"I think there have not been sufficiently important changes to alter our view on convergence," said Mr Solbes.

The minister expects improvement in the budget deficits through increased tax revenues as the domestic economy picks up in the next two years, but he conceded that efforts to cut spending in real terms would be necessary next year.

Mr Solbes is already having to weather a setback to his 1995 budget plans caused by the impact of higher capital market interest rates on Spain's debt service costs. He expects to announce specific measures within the next two weeks to reduce 1995 expenditure by Pta150bn ($1.12bn), largely focused on reduced transfers to public sector companies.

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Kohl tries again for consensus on energy

By Judy Dempsey in Bonn

Chancellor Helmut Kohl has summoned ministers, party leaders and parliamentary faction heads to talks next week aimed at reviving a debate on how Europe's most powerful economy uses and pays for its energy.

The talks, which are supposed to set out a long-term energy strategy particularly for the coal and nuclear power industry, collapsed in late 1993 after a year-long effort to negotiate a cross-party compromise on energy. They were not resumed last year because of the elections. But Mr Kohl and his ministers are coming under increasing pressure to resume the talks following a recent decision by the constitutional court. The court ruled that current methods of subsidising the country's unprofitable coal industry were unconstitutional and insisted that the government find alternative ways of financing domestic coal by 1996.

Currently, each tonne of German coal is subsidised by about DM180 ($118) in order to match low import prices. A tonne of west German coal costs DM280-DM290 compared to imported coal which costs DM83-DM90 a tonne. A 7.5 per cent levy on industrial and consumer electricity prices, known as the *Kohlepfennig*, was introduced in 1976 to protect domestic coal production against cheap coal imports. Total annual subsidies amount to DM7.5bn.

However, the country's main political parties are deeply divided about how to subsidise the industry. Mr Kohl's governing Christian Democrats want to finance coal through a tax on electricity which would be largely borne by domestic consumers and not industry. The Free Democrats, junior partner in the coalition, shift between scrapping the subsidies completely and a European-wide energy tax.

The Christian Socialists, the CDU's Bavarian sister party, oppose any energy tax because it would be disadvantageous to nuclear power, an important energy provider in Bavaria. "The CSU will only discuss the future of the *Kohlepfennig* provided it is linked to a discussion about the future of the nuclear industry," a CSU official said.

The opposition Social Democrats, however, whose traditional power base rests in the coal regions, is in favour of an energy tax across industry. Mr Gerhard Schröder, prime minister of Lower Saxony, wants the tax to partly support coal, but also to use the revenue to finance ways to develop renewable energy. Industry is set to oppose any energy tax, a point Mr Kohl will make clear on January 27.

Russia and US discuss status of ties

By Bruce Clark in Geneva

The US and Russia pledged yesterday to keep their relationship intact but both sides acknowledged that there were substantial differences between them over security issues.

Mr Andrei Kozyrev, the Russian foreign minister, described as "businesslike" – diplomatic code for blunt disagreement – his two days of talks in Geneva with Mr Warren Christopher, the US secretary of state, during which the US expressed strong concern over the bloodshed in Chechnya.

In a clear admission of disagreements, he said US-Russian relations were "maturing" to the point where "they can withstand open and businesslike discussion of any issue".

Mr Christopher said he had reaffirmed Washington's willingness to provide economic aid to Russia, and he won an assurance from Mr Kozyrev that Moscow was still committed to democracy and economic reform. However, the US feared that the war in Chechnya was threatening reform and Russia's standing in the world.

Mr Kozyrev said he was sure the US-Russian partnership over a broad range of issues would "stay and endure" despite the fact that it was "weathering a number of international problems".

The Russian minister said Chechnya was "very much an internal question" and any discussion of the issue was part of an exchange of information "on domestic problems" between himself and Mr Christopher.

This would imply that Mr Kozyrev questioned Mr Christopher about US domestic problems – a tactic often used by the Soviet Union when it faced western criticism over human rights issues.

Mr Kozyrev said there was optimism that "we are not going to have a cold peace". However, in a sterner note, he described as "timely" President Boris Yeltsin's warning at last month's European security summit that the continent could plunge into "cold peace" if Nato expands too fast.

Mr Christopher said he used the Geneva talks to emphasise that the US-Russian partnership still existed, although it would be difficult to maintain if Russia took any more "steps in an undemocratic direction". This was an implicit warning that the new Republican-dominated US Congress would stall on the delivery of aid to Russia, or the ratification of disarmament treaties, if Russia's behaviour in Chechnya does not improve.

Russian foreign minister Andrei Kozyrev (left) in Geneva yesterday with US secretary of state Warren Christopher AP

The remarks came as Mr Yeltsin ruled out direct peace talks with Chechen leader Dzhokhar Dudayev, casting further doubt on hopes that the five weeks of fighting in the breakaway republic might end in a negotiated settlement.

Mr Yeltsin said that he would not speak to Mr Dudayev, whom he accused of "staging a genocide" against his own people. Mr Dudayev, whose capital city has been under intense Russian bombardment since the beginning of the month, sent envoys to Moscow earlier this week who claimed on Tuesday to have negotiated a ceasefire with the Russian government.

However, Mr Christopher said he would call for ratification of the Start II disarmament treaty at senate hearings next month. Mr Christopher described the US-Russian link as one "that is continuing to work and ... is of great importance to the US".

The secretary of state has welcomed the renewed prominence in recent days of Mr Victor Chernomyrdin, the prime minister, who is seen as a relative moderate within the Moscow administration and has been at the forefront of moves to secure a ceasefire in Chechnya. Mr Christopher said he thought the prime minister – who appeared to be sidelined when the war in Chechnya was launched last month – was now acting with the full authority of President Yeltsin.

Moscow suspicion grows

Kremlin factions are at odds over policy, writes **Chrystia Freeland**

During negotiations with the International Monetary Fund in Moscow this week, Russian officials are expected to warn their western interlocutors that massive western assistance is necessary if Russian reforms are to stay the course.

But even as Russian officials try to woo the IMF, some of their comrades, in various branches of the government, are seeking to drum up a wave of anti- western sentiment.

The most influential exponents of this tendency are within Russia's powerful and hardline security council. Officials within the security council, whose authority has been enhanced by the drawn-out war in Chechnya, have prepared a draft document proposing a "government strategy to ensure the economic aspects of national security."

One section of this draft document is devoted to a discussion of "foreign threats" to Russia's economic security. These include the export of raw materials, leaving domestic industry unable to operate, too much foreign control over Russian exports, over-dependence on imported goods, and, in an issue made topical by the central bank's futile efforts this week to stem the fall of the rouble, "ineffective state control over hard currency".

The security council's subtle warnings about the "foreign threat" to the Russian economy have been echoed by a more stridently anti-western chorus in other branches of the government. Western consultants have been banned from the corridors of the Ministry of Privatisation. Western organisations, like the Soros Foundation and the US Peace Corps, here to offer technical advice and humanitarian assistance, have been accused of spying for the CIA. And, perhaps most disturbingly, in an internal memorandum, a senior technocrat in the central bank warned of the "thought-out strategy" of American banks to take control of Russia's financial system.

Western assistance organisations have been accused of spying for the CIA. And, perhaps most disturbingly, there has been a warning of a US strategy to take control of the Russian financial system

Western observers in Moscow point out that periodic outbursts of anti-western sentiment are nothing new in Russia, and are offset by Russia's openness to the west since the collapse of communism. But the most recent wave of xenophobia was sufficiently serious to prompt Mr George Soros, the Hungarian-born market player, to visit Moscow to try to hold back the tide.

Mr Soros's foundations, which are involved in a number of projects geared towards encouraging the growth of civil society in Russia, figured prominently in a report, allegedly leaked from Russia's increasingly powerful Federal Counter-Espionage Agency, published in a leading Russian newspaper last week. The head of the counter-intelligent agency, the leaner successor to the Soviet KGB, is one of the key figures in the security council. The report alleged that western organisations with offices in Moscow, including the Soros Foundation, the Ford Foundation, the Carnegie Institute and the Peace Corps, are nests of US agents whose goal is to "thwart Russia as a state, which has the potential to compete with the world's only superpower".

Mr Soros said he was satisfied by assurances he had received from senior government officials, though not from the security forces, that his foundation continues to enjoy backing from the Russian government, which has co-financed some Soros projects.

"Clearly, there is a clique that has temporarily gotten the upper hand and made a mess of it." Mr Soros said.

This campaign appears to have penetrated even the technocratic corridors of the Russian central bank. In an internal memo, widely circulated among Russian officials this month, Mr Andrei Kozlov, head of the bank's securities department, alleges that American investment banks are plotting to take control of Russia's financial system.

The memo is a nine-page argument against a proposed amendment to legislation on banking which would restrict the right of Russian banks to participate directly in the securities market. It alleges that the change in the law is being advocated by agents of American banks, who seek to bobble their only potential competitors in Russia's capital markets, Russian banks.

"In this manner," Mr Kozlov writes, referring to the proposed amendment, American brokers and American financial capital are "seeking to seize strategic control in the division of property and the process of foreign investment in Russia".

For some foreigners in Russia, warnings like these of western conspiracies to, alternately, seize control of Russian capital markets or to fatally weaken the Russian state, have been accompanied by more personal harassment.

Mr Michael McFaul, a consultant at the Carnegie Endowment for International Peace, a western think-tank with offices in Moscow, says that members of parliament have been warned not to speak to him.

West voices doubts on Kremlin's liberalisation of oil trade

By Chrystia Freeland in Moscow

Western businessmen yesterday said they were sceptical that Russia's decision to lift quotas on oil exports earlier this month would have any real effect.

The decision to liberalise oil exports is crucial because the International Monetary Fund, in Moscow for negotiations this week, had said Russia had no hope of receiving IMF money if it did not free oil exports.

But observers say that the formal decision to liberalise exports – controversial because it threatened to boost domestic prices – may be obstructed by the fine print in the legislation. Specifically, they point to the fact that a government committee, rather than the open auction system some western economists have advocated, will determine exporters' access to pipelines. "It looks to me like a quota system under a different name," a western oil executive said. "The committee determining pipeline allocation will replace the committee which handed out quotas."

An official from a western financial institution agreed that although "the decree itself is a hopeful sign" there is a danger that "you could have the same flawed system come in through the back door". The official predicted that the degree of transparency in the operation of the allocation committee will emerge as an important issue in current Russian negotiations with the IMF and would figure prominently in the ongoing power struggle within the Russian government.

"This was an issue over which blood was spilt and I don't think the people whose incomes are at stake will disappear," he said.

But while the government will be under pressure from the IMF to stiffen the oil export decree, other provisions of the law have already come under open fire from domestic lobbies. Mr Vagit Alekperov, president of Lukoil and Russia's most powerful oil baron, called for the government to reduce the Ecu23 (£9.2) per tonne export tariff applied according to the decree.

"No oil company has such cash. Exporting has become absolutely unprofitable," Mr Alekperov said, adding that the tariff should fall to Ecu15 per tonne.

Mr Alekperov and other senior oil trade officials said producers would feel the sharp end of the tariff measure, while pure trading companies living on commissions would not be directly affected.

He also objected to demands by the state customs committee for pre-payment. "Where will we get this money from?" he asked.

"We propose that customs tariffs should be levied after money is deposited in our account, but no more than 45 days from the moment of the oil being loaded."

Lukoil produced 43.6m tonnes of crude oil last year and exported 10m outside the former Soviet Union. This compares with total Russian output of 316m tonnes and exports of 89m tonnes.

But according to Mr Jonathan Hoffmann, a director of economics at CS First Boston in London, the Russian government's expected revenues in 1995 from oil export tariffs are already overly optimistic. Caving in to pressure from the oil lobby would reduce those revenues further and put an additional strain on the government's already fragile 1995 draft budget.

Russia's often tense political relations with its neighbours pose an additional threat to oil exports. A pipeline from the Caspian Sea runs through embattled Chechnya.

Earlier this month Russian oil exports to eastern Europe were interrupted by a row between Russia and Ukraine, which demanded higher transport fees for Russian oil exported through a pipeline on its territory.

Japan quake death toll climbs above 3,000

By William Dawkins in Tokyo

The death toll from the Kobe earthquake passed 3,000 last night, with more than 850 still unaccounted for under the rubble of the city.

Rescue efforts appeared dwarfed by the disaster, as fires continued to blaze in central Kobe and infrastructure remained crippled two days after Japan's worst earthquake for nearly 50 years. Attempts to ship food and water to the nearly 200,000 homeless were hampered by traffic jams on the few usable roads from Kobe port, while rescue efforts

RELIEF WORK

made little headway because of a shortage of power shovels.

An estimated 2.3m people in Hyogo Prefecture, where the devastation is worst, are without adequate water supplies, the ministry of health and welfare estimated. The government sent in troops, in an operation criticised by business leaders for arriving late, and ordered the immediate construction of 1,000 temporary homes. Prime Minister Tomiichi Murayama is to visit the stricken area today.

The government earmarked Y100bn (£644m) for immediate aid and is considering an extra budget for further help, said Mr Kozo Igarashi, chief cabinet secretary. Official earthquake aid could total Y3,000bn, said officials of the Liberal Democratic party, dominant member of the ruling coalition. Cheap state loans are to be made available to companies hit by the disaster.

There are signs that the costs of reparing the damage will be far higher than last year's Los Angeles earthquake, where costs were calculated at $20bn. The Tokyo office of J P Morgan, US investment bank, puts the damage at between Y4,500bn and Y6,000bn, or up to 1.3 per cent of GDP. One private economist in Tokyo estimated the damage as high as Y14,000bn.

The prospect of a further rise in borrowing by Japan's heavily indebted government caused a fall in bond prices on the first day after the quake, followed by a slight recovery yesterday. Business around Kobe remained at a near standstill, with thousands of companies starved of supplies and power and unable to make deliveries. An estimated 400,000 homes were without electricity, while 834,000 households were without gas.

The construction ministry yesterday launched a review of motorway construction standards. Ministry engineers said they were shocked the quake had toppled motorway flyovers, as these were built to withstand tremors as violent as the great 1923 Tokyo quake.

Public sector set to bear the costs

Government and markets brace for quake's financial fallout, writes Gerard Baker

As the extent of the devastation from Tuesday's earthquake grew clearer yesterday, the government and private sector began to brace themselves for the financial implications of the tragedy.

The rebuilding of Japan's industrial heartland will require the diversion of substantial resources. Widespread uncertainty exists about its economic consequences.

The first estimates of the likely cost of reconstruction were highly tentative, since there has not been such a destructive earthquake in Japan in modern times. The

ECONOMY

only comparable recent event was the Los Angeles earthquake a year ago.

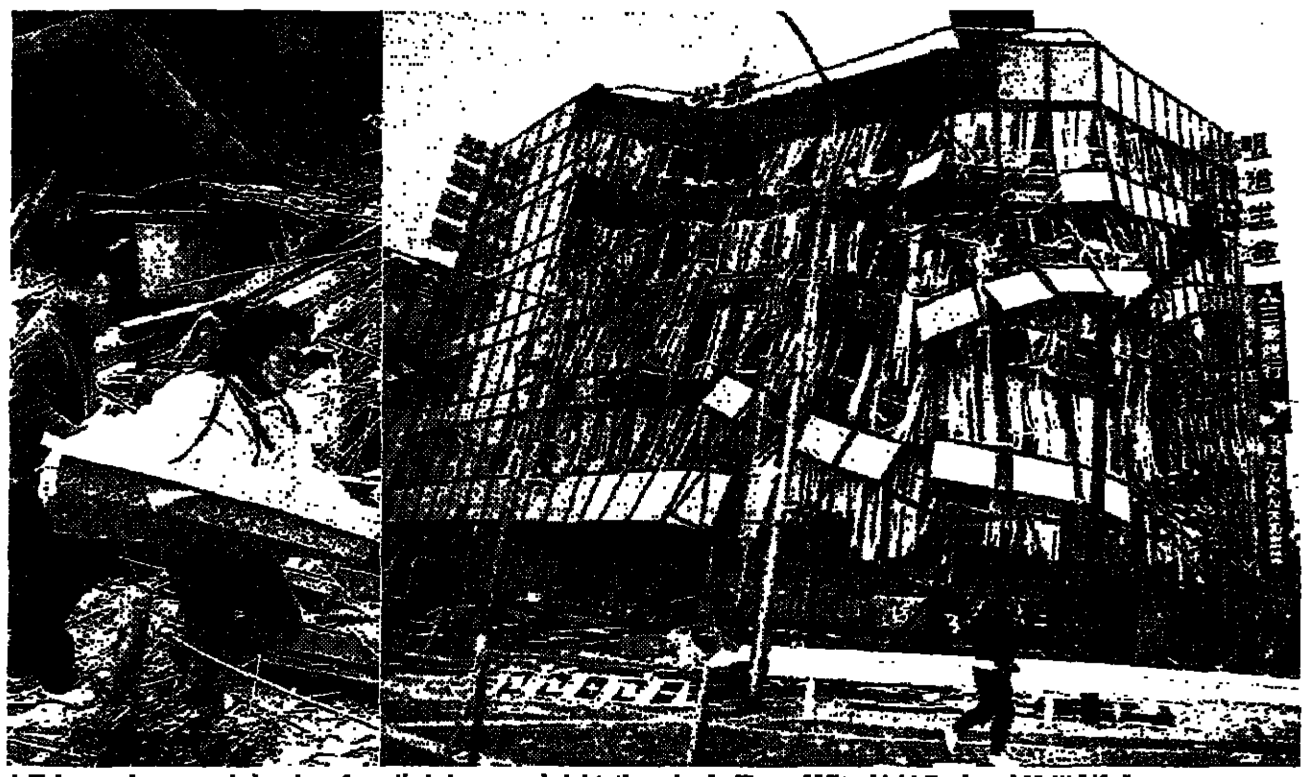
Estimates of the repair costs there are more than $20bn (£12.5bn) and rising, but the cost of rebuilding Kobe is likely to be much greater, according to Mr Masaru Takagi, senior economist at Fuji Research Institute.

The Japanese quake was more intense, lasted longer and was in an area far more populous and asset-rich than the worst-hit areas of Los Angeles. With construction costs in Japan running at more than twice those in California, conservative estimates in financial markets yesterday put the repair bill at substantially over Y4,000bn (£25bn).

The public sector will face most of the costs. Officials yesterday indicated that a special emergency budget is likely to be drawn up within the next few weeks to meet the burden. Damage to infrastructure is extensive.

In addition to the direct public sector responsibility for roads and water supplies, its strategic national importance means the government is expected to pick up a substantial part of the cost of repairing and replacing capital in private hands: railways, power utilities and telecommunications. The authorities are expected to fill much of the gap left by the widespread absence of insurance cover for the local population.

Mr Dick Beason, chief economist at James Capel Pacific in Tokyo, estimated that the cost for the government will be at least 50 per cent of the total. That would put the public share of costs at a minimum of Y2,000bn, a figure that has raised concern about the strain on financial markets.



A Kobe couple remove belongings from their home, and right, the ruined offices of Mitsubishi Bank and Meiji Life Insurance EPA

'Expect a significant splash in bond market'

"It will be a significant splash in the government bond market this year," said Mr Beason, "and that will make investors demand a higher return on their holdings of debt."

Net new supply of bonds for 1995 is estimated at Y20,000bn, so the earthquake could pump an extra 10 per cent of supply into the bond market. As a result, government bond prices fell sharply on Tuesday on fears of the difficulty of absorbing the extra supply, pushing the yield up by 7 basis points to 4.72 per cent.

But these fears may have been overdone. The extra spending will provide a substantial fiscal boost to the economy in the form of capital investment and, as such, will produce economic returns. As the markets digested the economic benefits from the extra spending, bond prices recovered some of their lost ground yesterday.

In the private sector, the main burden will be borne by the insurance companies. The Japanese non-life insurers are chronically weak, having over-invested in high-risk equities in the 1980s.

The quake has prompted renewed fears that they may be forced to liquidate further their holdings of securities to foot the bill. Insurance company share prices have fallen sharply since Tuesday as a result.

Early estimates of the insurers' liabilities suggest these fears may be misplaced. Because of the limited extent of seismic activity in the Kobe region, less than 4 per cent of householders had optional earthquake cover. Figures for commercial coverage are unavailable but are unlikely to

Insurance sector's worries are longer-term

be greatly higher.

Yesterday, the Marine and Fire Insurance Association said the value of earthquake insurance contracts in the area was Y1,200bn.

But since not all homes were affected by the quake, the total liability is likely to be much lower.

According to Mr Mark Faulkner, financial services analyst at S G Warburg, this figure should not seriously undermine insurers.

They have combined catastrophic loss reserves of Y1,100bn with extra reserves for special fire and automobile insurance of more than Y600bn. "Even if the final costs turn out to be higher, companies should be able to absorb the impact reasonably comfortably," he said.

But risks remain. The government is likely to persuade the insurance sector to shoulder more of the burden than their legal liabilities imply, and companies are unlikely to turn away pleas for help from thousands of uninsured victims.

A bigger problem will confront the insurance sector in the longer term. The vulnerability of Japan's capital base to the Kobe quake surprised many companies, which had based their estimates of their liabilities on over-optimistic assumptions about the resistance of buildings to earthquake damage.

That judgment will now need to be revised, and may weaken further insurers' balance sheets.

Japan probably has enough private and public sector liquidity to cope with the extra direct costs associated with the earthquake. But the real financial damage will be long-term.

The tragedy in the Kansai area will force the country to improve its preparedness to deal with other quakes, some of which may be even more deadly and destructive.

Rebuilding will take a year

By William Dawkins

Japan's leading industrial companies yesterday began to assess the damage from the Kobe earthquake. As reports poured into the anxious headquarters of steel, car and electronics producers, it became clear it will take at least a year to repair Japan's industrial heartland.

There are two costs: direct damage to manufacturing plant, and disruption to supplies and deliveries caused by smashed roads and railways.

At national level, the impact will be softened by the fact that Japan has plenty of surplus industrial capacity to compensate for closures in Kobe. Last year, industrial Japan was running on average at just over 70 per cent of capacity, the lowest level for 18 years.

So disturbance to a region, Kansai, which accounts for 12 per cent of national output, could even jolt Japanese industry into doing more about its structural problems, even if at a tragic cost.

Important industrial losses reported yesterday were:

■ The region's steelmakers, producers of 25 per cent of Japan's steel output, reported moderate damage to plant and equipment but serious disruption to their ability to deliver orders.

This, plus the steel demand for the rebuilding of Kobe, will help to ensure that the rise in world steel prices continues, Mr Stephen Wolfe, equity analyst at UBS Phillips & Drew in Tokyo, predicts.

Worst hit was Kobe Steel, a leading integrated producer, which believes its blast furnace in the port area will stay closed for about a month, but hopes to restart operations at another steelworks, in nearby Kakogawa, in two to three days.

Kawasaki Steel, Japan's third largest producer, kept its two finishing plants in the area closed for the second day running, because of power cuts. Sumitomo Metal restarted a blast furnace, while Nippon Steel, the world's largest steel company, planned to restart a steel sections plant in Osaka.

■ Electronics companies were also failing to restore production. Matsushita, the world's largest consumer electronics producer, halted deliveries from a Kobe warehouse because its automatic racking system failed.

Power cuts also forced it to close an information equipment plant for 3D games machines and word processors.

Omron, the leading maker of process control systems, was forced to halt exports of components and other products because it could not transport them.

Hosiden, a producer of high quality liquid crystal displays

INDUSTRY

and electronic components, closed its Kobe factory, starved of supplies and power. Anxious US customers bombarded their Japanese offices with inquiries.

Mitsubishi Electric, the machinery producer, said only 200 of its 3,800 employees made it to work, but that its five plants in the area were little damaged.

■ In the car industry, Daihatsu, an affiliate of Toyota, has closed two car assembly plants, with a combined capacity of 50,000 vehicles a month, because it cannot get parts.

Toyota, which will also suffer production interruptions, yesterday despatched 200 engineers from its headquarters in Nagoya, north of Osaka, to help.

Mazda suspended production at two plants for the second day yesterday, but it plans to restart in the next few days. Until then, 12,000 workers are suspended from duty.

■ In shipbuilding, Mitsubishi Heavy Industries was unable to open its yard in Kobe because nobody could get to work through the morass of mud around the docks caused by the liquefaction of damp ground that occurs in big quakes.

■ A Sumitomo Rubber tyre and golf ball factory in Kobe, accounting for a quarter of the company's entire output, has closed indefinitely because of direct earthquake damage.

The quake also destroyed Sumitomo's 50-metre factory chimney, a well known landmark since before the second world war.

Its absence is a mark of how Kobe will never be the same again.

Additional reporting by Mitsuko Matsutani

Impact on city likely to be long-term

By Michiyo Nakamoto in Tokyo

The devastation wrought by Tuesday's earthquake is likely to have a long-term impact on Kobe, the famous port city which suffered high casualties and much of the damage in Tuesday's quake.

Officials at Japan's transport ministry expressed concern yesterday that the destruction of the port facili-

KOBE

ties of Kobe could cause a serious impact on Japan's external trade.

Kobe is Japan's largest port, having handled 2.5m containers in 1993, or nearly 30 per cent of Japan's port cargo trade, according to the ministry.

The quake has made it impossible to use any of the 19 container berths at Kobe port. "It is unlikely the port facilities were built to resist an earthquake of the magnitude seen on Tuesday," a transport ministry official said. Cargo was being re-routed to Nagoya port, but congestion there is expected to disrupt shipments significantly, he added.

As rescue teams continued their efforts to save as many as possible of those still trapped in buildings or under rubble, the city of Kobe suffered further damage from aftershocks, weakened ground foundations and erosion along its waterfront where reclamation work has extended the city into Osaka Bay.

Fires have razed more than 100 hectares of the city. More concrete structures tilted by the big quake have been toppled by aftershocks, and water seeping into reclaimed land has reduced the futuristic city of Kobe Port Island to a muddy pool.

Kobe had been trying to establish itself as a model for future urban centres in Japan. Situated between the Rokko Mountains to the north and the Seto Inland Sea to the south, the city is famous not only for its port, one of the largest in Japan, but for its scenic beauty. The view from Rokko of the city at night is known as the "one-million-dollar scene".

Long welcoming of foreign influence due to its historic and geographic circumstances, Kobe is a treasurehouse of western-style architecture in Japan, much of which was built before the war.

In its recent history, the city has attempted to reduce its traditional dependence on heavy industries such as iron, steel and shipbuilding, and re-establish its economic foundations on newer industries such as fashion, leisure and information technology.

To that end, and to raise its international profile as an urban centre, Kobe has been pumping money into new developments ranging from man-made islands to high-tech and sports parks.

The city was in the middle of a second development phase – Port Island – aimed at doubling the reclaimed land mass where an international conference centre, museums, residential areas and other facilities are located.

The commercial and residential development of Rokko Island, another man-made site, is also scheduled for completion in 1999.

It will take months, if not years, to rebuild the damaged parts of the city. Port facilities are likely to take at least six months to repair, according to shipping officials.

While it is no consolation for the large number of people who lost their homes, the tragedy provides Kobe with an opportunity to plan much needed improvements to the city, where many of the houses destroyed were old and cramped into narrow areas.

One urban planning specialist said that, when Kobe began reconstruction, it could use the chance to widen roads and improve urban living conditions. It has the forward-looking spirit needed to rise from the ashes.

ASIA-PACIFIC NEWS DIGEST

Bhutto to meet Clinton in April

Ms Benazir Bhutto, Pakistan's prime minister, will visit Washington in April for a summit with US president Bill Clinton, a senior government official in Islamabad said yesterday. It would be the first such meeting since she saw President George Bush in mid-1989.

The US cut off aid to Pakistan the following year over allegations that Islamabad was producing nuclear weapons. Pakistan denies the charge. However, during the past six months, the two sides have sought to strengthen ties in spite of the continued aid suspension.

Mr William Perry, the US defence secretary, this month visited Pakistan, describing it as important in the region and a moderate Islamic country. The two countries revived a consultative group comprising senior defence officials. *Farhan Bokhari, Islamabad*

Japan is top ship exporter

Japan regained its ranking as the world's top ship exporter last year, reversing its second place to South Korea in 1993, according to figures published yesterday by the Japan Ship Exporters' Association. Export contracts for Japanese companies rose 64.1 per cent to 9,992,000 gross tons, representing 249 vessels. The figure was the highest since the shipping boom year of 1973, when Japan exported more than 573 vessels at 25,779,000 tons.

Association officials attributed the performance to efforts to secure orders ahead of the completion of projects by their South Korean rivals, and to increased automation which improved productivity. But exports are expected to fall this year as a result of price competition. *Gerard Baker, Tokyo*

South Korea bans toothpicks

Toothpicks are to be banned from South Korean restaurants to make leftovers fit for pigs. The environment ministry says farmers have complained that discarded toothpicks often kill pigs and other animals fed with the leftovers. Violators of the ban, which takes effect on February 1, face fines of up to Won3m (£2,400).

Other regulations taking effect at the same time will prohibit the use of plastic bags and wrappings in supermarkets and grocery stores except for such items as meat, poultry and vegetables. The rules call on manufacturers to reduce the amount of packaging material generally as part of a drive to reduce garbage and encourage recycling. *Reuter, Seoul*

■ The European Commission signed an $83m aid agreement with Cambodia as part of a 30-month rehabilitation programme centred on rural development. *Reuter, Phnom Penh*

■ Leading Malaysian banks raised base lending rates by 10 basis points. For Bank Bumiputra, the increase to 6.75 per cent followed 13 successive cuts over two years. *Reuter, Kuala Lumpur*

Road chaos hampers recovery by industry

By William Dawkins

The collapse of the tight mesh of infrastructure between Kobe and Osaka was the big factor hampering rescue efforts yesterday.

It will be the main constraint on the recovery of local industry.

The few plants able to work yesterday were starved of supplies and are unlikely to be able to deliver for days or weeks, because of almost impassable roads and restricted rail services.

INFRASTRUCTURE

Only one of the three main motorways around Kobe and neighbouring Osaka, Route 2, was usable yesterday. Of the other two, officials estimated it will take a year to repair a 650m section of the Hanshin Expressway, the main road from the port of Kobe into Osaka. Sections of the third motorway, Route 43, also collapsed. Motorway closures in Japan are more serious than in other countries because alternative routes are usually slow.

It is hard to drive a large delivery truck through the maze of lanes that make up most of Kobe and Osaka, even when they are not strewn with rubble.

Distressed Japan Public Highway officials admitted shock at the destruction of motorways designed to be earthquake proof. It was a first taste of the re-examination, and the possible criticism, that could come later.

Only a year ago, a team of Japanese researchers returned from inspecting collapsed motorways after the Los Angeles quake to report that Japan's ostensibly better built roads would never suffer such damage.

Trains have fared little better. The *Shinkansen* express going south towards Kyushu will be out of action until March or later, officials said, while services north to Tokyo were running at half their normal frequency.

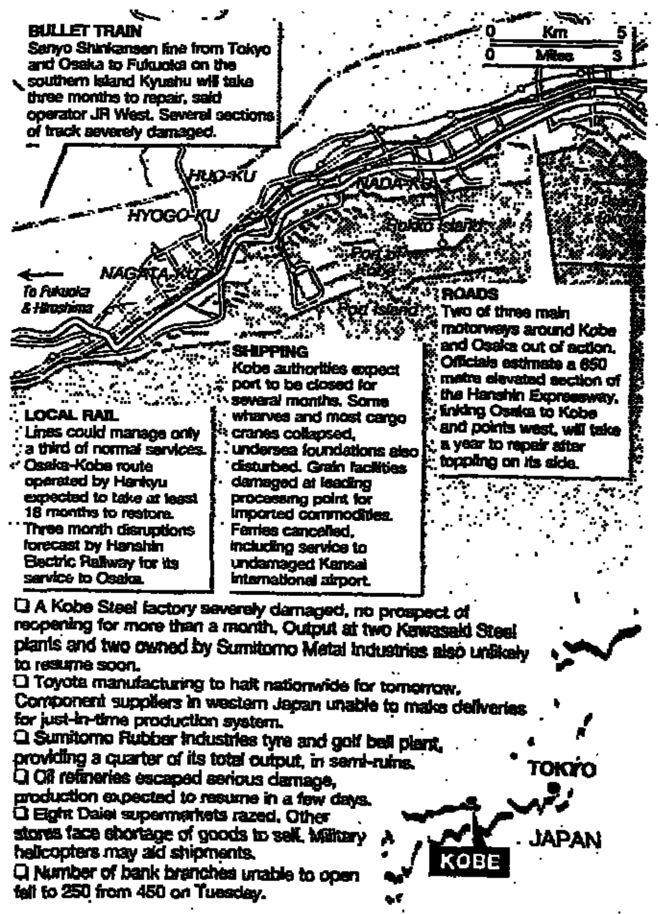
Local lines could only manage a third of normal schedules.

Highway closures are more serious than elsewhere

Power is another problem, with 400,000 families and thousands of businesses in Kobe deprived of electricity yesterday and 834,000 households without gas.

Officials said it would take two weeks to restore electricity and one-and-a-half months to bring gas supplies back to normal.

Telecommunications were down in the area between Osaka and Kobe, at the centre of the damage. Outgoing calls were possible from Osaka, but ingoing ones were difficult.



China inflation slows for second successive month

By Tony Walker in Beijing

China's inflation for December slowed for the second successive month, reversing a trend that had pushed annual consumer price rises in late 1994 close to 30 per cent.

The State Statistical Bureau reported yesterday that December's consumer price index was up 25.5 per cent on a year earlier, and down two percentage points on the previous month. Western economists said the figure represented better news for the government, but it was premature to judge whether a clear trend towards lower inflation had been established.

"The real test will come in the spring when comparisons are made with lower inflation figures of mid-1994," said one economist. China's inflation eased in the second quarter last year before rising sharply in the second half. China has said it plans to cut inflation to 15 per cent this year from 24.2 per cent in 1994, but economists believe a more realistic figure is 17-20 per cent. Figures for December showed rural consumer prices rose faster than in urban centres.

The improved inflation result heightens prospects of China achieving a "soft landing" in its efforts to curb an overheating economy, but economists say this will depend on continued monetary restraint.

China's economy grew 11.8 per cent last year, compared with more than 13 per cent in the previous two years. The government wants further to reduce economic growth to 9-10 per cent this year, but is anxious to avoid an abrupt slowdown that would exacerbate unemployment.

Central bank figures released this week showed that despite high rates of inflation, savings continue to be robust. Since 1978, the average annual increase has been 33.5 per cent, with individual deposits reaching Yn2,152bn (£164bn) last year.

Retail sales in 1994 grew strongly, reaching Yn1,412bn in the 11 months to November, representing a 30.5 per cent increase over the same period the previous year. Economists warned that, while inflation will fall in 1995, price pressures will stay strong.

Clinton acts to shore up Mexico package

Markets are nervous $40bn in US loan guarantees may be delayed

By George Graham in Washington and Ted Bardacke in Mexico City

President Bill Clinton yesterday moved to shore up crumbling support for the $40bn (£25.6bn) package of loan guarantees he announced last week to help Mexico out of its financial crisis. Worries that congressional approval of the package could be delayed depressed the Mexican stock market and the peso.

Mr Clinton sent Vice-President Al Gore and Mr Leon Panetta, White House chief of staff, to Capitol Hill yesterday morning to try to persuade Democratic members of Congress that the guarantees were needed urgently to prevent Mexico from falling into a protracted economic crisis that would hurt the US.

The president himself was due to speak to business leaders at the Treasury department later in the afternoon.

The leaders of both parties gave their support in principle to the loan guarantees at a White House meeting last week, and Speaker Newt Gingrich remains committed to bringing the necessary legislation quickly to the floor of the House of Representatives.

But Senator Robert Dole, the leader of the Republican majority in the Senate, appeared anxious yesterday to cover his rear against the possibility that the Republicans might be left shouldering the political risk of the guarantees without significant Democratic support.

Right-wing Republicans and left-wing Democrats, recreating the unlikely coalition that opposed passage in 1993 of the North American Free Trade Agreement between the US, Canada and Mexico, have criticised the loan guarantees. Between these two extremes, many other members of Congress have seen an opportunity to impose a variety of conditions on Mexico in exchange for the guarantees.

Administration and congressional officials yesterday said they believed that the loan guarantee legislation would pass, but that it would require an all-out lobbying effort from Mr Clinton and the Republican leaders to win over rank and file members in their respective parties.

A Treasury fact sheet circulated on Capitol Hill to bolster the case for the loan guarantees remains silent on the details of the legislation to implement the package, but warns that "a protracted economic crisis in Mexico would decrease US exports, increase illegal immigration to the US and, potentially, spread to other emerging markets".

A continued crisis could bring half a million more illegal immigrants into the US this year, with perhaps 330,000 coming to California and 100,000 to Texas, it warns.

In Mexico, a successful auction of government securities and the formal announcement of a national political accord between the government and the country's main political parties did little to help Mexican markets.

Interest rates on 28 and 90 day Cetes, peso-denominated government debt, came down this week to 39 per cent, while 6 and 12 month paper rose 5 percentage points to 38.5 per cent. Demand was high, with 6.3bn new pesos being solicited and 2.8bn new pesos being accepted, more than the amount scheduled to mature this week.

Brokers said that the high demand was a sign that investors were coming back into the market, albeit at high rates.

But the high rates offered and anxieties about the financial support package sent the stock market lower. At midday the main IPC index of the Mexican stock market was down 1.64 per cent. Mexican equities trading in New York were also down.

At midday the peso was trading at 5.295 to the dollar, slightly weaker than Tuesday's close of 5.25.

Persistent rumors that the government bought its own dollar-denominated government securities in Tuesday's auction in order to create the appearances of investor confidence continued to worry potential investors.

Zedillo signs reform pact to end election row Picture: Reuter

Cosseted congressmen in Brazil double their pay

By Angus Foster in São Paulo

Brazil's congress has voted itself a pay rise of more than 100 per cent, while President Fernando Henrique Cardoso urges austerity and the country's planning minister looks for $12bn (£7.6bn) of cuts to balance this year's budget.

The Chamber of Deputies has approved an increase which will take the basic salary for Brazil's 513 deputies and 81 senators to R120,000 ($141,177) once the new Congress convenes on February 1. This is nearly 50 times the average Brazilian income of R2,500 and will reinforce the country's reputation for the world's most glaring differences between rich and poor.

Congress members already have their medical, postage and most telephone bills paid by the state, and get a rent allowance for living in the capital, Brasília. They also get three free flights home a month, and one free flight to the former capital, Rio de Janeiro. They can retire when they reach 50.

Opinion polls already rank congress members among the least respected and trusted people in Brazil. The latest increase, fiercely attacked in the media, is especially embarrassing because the outgoing Congress faces two other sensitive votes this week.

A proposal to increase the national minimum wage, on which about 20 per cent of families rely as their only source of income, is not certain to pass because of government opposition. The annual minimum is R910, but some legislators want to increase this to R1,100. The government opposes the increase because it would add to budget problems.

The second vote is on an amnesty for Senate president Humberto Lucena. Election authorities, backed by the Supreme Court, have ruled that he should lose his seat for illegal use of the Senate printing press during his election campaign in October. Mr Lucena has refused to leave and is now seeking an amnesty to invalidate his expulsion.

Mr Cardoso has tried so far to distance himself from both controversies but critics say he has been compromised by both. His own salary and those of his ministers were also more than doubled by Congress, despite the government's pledge to keep spending increases under control.

Critics say Mr Cardoso's majority coalition is weak and that he will be forced to compromise or keep quiet on other measures, in order to pass a number of important constitutional reforms.

Appeals court removes judge from IBM case

By George Graham in Washington

The judge who has overseen IBM's courtroom anti-trust battle for the last 40 years has been removed from the case by a federal appeals court which questioned his impartiality.

Judge David Edelstein had just started his judicial career when, in 1956, he signed the consent decree, negotiated between IBM and President Dwight Eisenhower's Justice Department, which broke up IBM's dominance over the US computer industry.

Although he will turn 85 next month, Judge Edelstein has continued to oversee the application of the decree ever since, repeatedly rejecting IBM's requests that he remove himself from the case.

The appeal court described Judge Edelstein, who is believed to be the last remaining federal judge appointed by President Harry Truman, as one of the ablest and most experienced judges in the region.

Nevertheless, Chief Judge Jon Newman wrote, in an opinion supported unanimously by the appeals court, "we think it manifestly clear that a reasonable observer would question the judge's impartiality on the pending issue."

The removal of Judge Edelstein could have rapid consequences because IBM asked him last year for the removal of the 1956 consent decree, which required it to stop offering its computers for lease only, rather than outright sale, and required IBM to operate its service business separately from its manufacturing business.

IBM has argued that the decree, which was imposed when computers still used vacuum tubes and the company's dominance of the US data-processing market was clear, is no longer relevant at a time when it ranks far behind companies such as Compaq in sectors such as personal computers.

The removal of a judge from a case is very unusual in the US, where the same judge can continue to supervise an entire industry for decades.

Judge Harold Greene, for example, continues to preside over the telecommunications industry, which he revolutionised with his order 10 years ago to break up the old AT&T monopoly into an AT&T long-distance company and a number of regional "Baby Bells" restricted to local telephone services.

AMERICAN NEWS DIGEST

Growth nudging up US prices

Robust economic growth and tight labour markets are putting upward pressure on prices and wages, the Federal Reserve reported yesterday in its latest Beige Book survey of regional economic trends.

In a separate interview with Reuter, Fed vice-chairman Alan Blinder said there was no clear evidence yet of a slowdown in growth. Gross domestic product probably grew at an annual rate of about 5 per cent in the fourth quarter, he said.

The survey and Mr Blinder's comments increase the probability that the Fed will signal another increase in short-term interest rates at its monetary policy meeting, due on January 31 and February 1.

The survey says the economic expansion remained "vibrant" in most of the US during the six weeks to January 10, and it found little evidence of the sharp slowdown in growth of retail spending reported last week by the Commerce Department.

There was evidence of tighter labour markets, with reports of "somewhat higher wages" in most areas. *Michael Prowse, Washington*

Strike at General Motors

General Motors was hit by a strike at one of its biggest North American parts plants yesterday – a continuation of the poor labour relations which have dogged it in recent months.

The strike was called by the United Auto Workers union after a dispute over staff levels at the plant in Flint, Michigan. The halt in production of spark plugs, petrol and oil filters, and cruise controls, could bring some GM assembly plants to a standstill by today, union officials said.

The UAW claimed that GM had failed to hire 240 extra workers at the 6,800-worker plant, under an agreement reached nearly a year ago. GM, like Ford and Chrysler, has generally resisted adding new workers during the current upturn in the industry, fearing that it will be left with higher overheads when sales turn down. *Richard Waters, New York*

Banks can sell annuities

The US Supreme Court yesterday opened another breach in the wall keeping banks out of the US insurance business when it ruled that banks could sell annuities.

The opinion reversed a lower court ruling that annuities were an insurance product from which most nationally chartered banks were excluded. Justice Ruth Bader Ginsburg, in an opinion supported by the other eight Supreme Court justices, said the court found it reasonable to conclude "that brokerage of annuities is an 'incidental power necessary to carry on the business of banking'", and that annuities were not insurance within the meaning of the law.

Nationally chartered banks have already been permitted to sell insurance from towns with fewer than 5,000 inhabitants, and the Supreme Court decision yesterday will expand this to larger municipalities, at least for annuities. *George Graham, Washington*

Higuchi on hunger strike

Ms Susana Higuchi, estranged wife of President Alberto Fujimori of Peru, was camped outside the Lima headquarters of the national electoral board yesterday, on the second day of what she says will be an indefinite hunger strike.

Late on Monday, the board said it had disqualified Ms Higuchi's alliance from the general election on April 9. Several of the 120 names of congressional candidates on Ms Higuchi's list were ruled to be duplicated. She blames "typing errors". *Sally Bowen, Lima*

NEWS: INTERNATIONAL

Jewish settlers undermine peace process

By Julian Ozanne in Efrat, occupied West Bank

A flurry of private settlement expansion in the Israeli-occupied West Bank has re-ignited Arab-Jewish tension that could derail the Israeli-Palestinian peace process.

Palestinians fear Israel is exploiting the stagnation in peace talks to consolidate its grip over occupied lands. Those fears have been fuelled by expropriation of Arab land for a new road network and by leaks from Israel's housing ministry of plans to build 30,000 homes in occupied Arab East Jerusalem and parts of the West Bank in the next three to four years, double the number originally planned. To most Palestinians the thickening of settlements and the new roads which will cut the West Bank into Palestinian islands spell an entrenchment of Jewish occupation.

The settlement expansion drive has split the government and exposed the flaws in the peace process and the growing political paralysis of Prime Minister Yitzhak Rabin.

A majority in the Palestinian administration is now said to favour breaking off peace talks until Mr Rabin rules firmly on the settlement issue. Mrs Hanan Ashrawi, citizen's rights commissioner, says continued Jewish settlement has made the peace process untenable.

"There is a mass scramble to create new facts on the ground which are prejudicial to the interests and the rights of Palestinians," she said. "The settlements fragment our territorial claims and ensure no geographically contiguous Palestinian state will emerge. It is a negation of the first principles of the peace process and we should call off talks to bring it to crisis."

Mr Mahmoud Abbas (Abu Mazen), a key Palestinian architect of the peace accords, warned yesterday Israel would have to choose between peace and settlements. But it is unclear whether Mr Rabin, his popularity crumbling in the polls, has the political will or courage to make such a choice.

His government was elected on a pledge to freeze Jewish settlement in the occupied territories. In the peace accords Mr Rabin, concerned about the potential political backlash from 130,000 West Bank and Gaza settlers, insisted that no settlement would be dismantled until the final status talks which are due next year.

The exclusion of settlements from the interim period of negotiations allowed Mr Rabin to sell the peace agreement to Israelis. But the ambiguity of the government's position and its failure to squarely face the settlement problem by determining a final line of Israeli withdrawal gave settlers the opportunity to exploit the vacuum to continue to create new settlements.

Mr Rabin has met the latest settlement challenge with more ambiguity. Yesterday he said the government would not oppose "private construction" or "natural growth" of settlements. He has also said that security dictated that Israel would never return to the borders that existed before the 1967 Arab-Israeli war. Palestinians say this essentially gives a green light to massive expansion.

Efrat is a case in point. Like most settlements Efrat possesses huge government-approved masterplans which were never fulfilled. Now the 6,000 residents of Efrat say they are merely building within those plans and are doing so with private funds. But there is a more political motive behind the recent expansion drive and, even among the Efrat settlers, known for their moderation, there appears no middle ground.

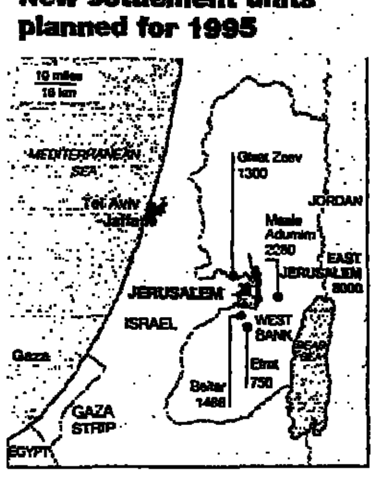
"I have never questioned that this land is as much a part of Israel as Tel Aviv," said Mrs Miriam Lock, who has lived in Efrat for nine years. "Our presence here is permanent and we want to turn Efrat into a city, not just a small settlement. The Jewish people are here and we are not going to be pushed around."

But if West Bank settlement is an obstacle to peace, the situation in Arab East Jerusalem is even worse. The government treats East Jerusalem, which it annexed in 1967, as a special case and is determined to expand Jewish settlement there to stake its claim to Jerusalem as an eternal undivided capital of the Jewish state. The PLO says Israel has annexed 24 sq kms, or 33 per cent of the city's land area, forcing Arabs out by confiscation of land, demolition of homes, heavy property taxes and restricting the right of Palestinians to build. Under Mr Rabin the Jewish population in East Jerusalem has expanded by 22,000 to 170,000 and, for the first time in modern history, Jews have become a majority.

The government has also been gradually adding neighbourhoods onto Jerusalem in what it calls "Greater Jerusalem", a still undefined area the government says is non-negotiable in future talks with Palestinians.

Ultimately, most observers believe the bulldozers and cranes are carving a new map of an expanded Israel in a potential post-peace era while the peace talks remain stalemated. As long as Palestinians keep talking the new map is gradually becoming a reality.

New settlement units planned for 1995



Algerian olive branch finds few takers

Government and extremists look set to continue the carnage as the west looks on, writes Roula Khalaf

When Algerian opposition leaders emerged triumphantly last week from their meetings in Rome and offered a plan to end the country's three-year civil strife, they presented a more human face of Algeria, in sharp contrast to the daily carnage inside the country.

Yet the picture of reason and reconciliation they appeared to present to the world is likely to have little bearing on what happens in the country for the foreseeable future.

It is true that the main participants in Rome – the outlawed Islamic Salvation Front (FIS), the National Liberation Front (FLN), Algeria's former ruling party, and the Socialist Forces Front (FFS) – represent a substantial portion of Algerian society. After all, between them they won more than 80 per cent of the vote in the 1991 first round of elections that were later annulled by the military-backed government, leading to civil strife that has cost 30,000 lives. Today, however, they have limited influence over Algerians' lives.

The reality on the ground, according to western observers, is that both the embattled government, which controls Algiers during the day, and the Islamist extremists, who rule by fear at night, remain convinced they can bring down the other. In any case, the government has "totally and in detail" rejected the Rome initiative – which calls for the return of the FIS to public life and for moves towards a coalition government in preparation for new elections – describing it as foreign meddling in Algerian affairs, a "hotchpotch mixture of ideas" and a "non-event".

Few Algerian experts, meanwhile, give credence to a letter distributed in Paris this week purporting support for the plan by the Armed Islamic Group.

"For the moment the army still controls the political cards," says Mr Dominique Moisi, deputy director of the French Institute for International Relations. "If the army doesn't feel the need to compromise, then what happened in Rome will be just talk."

What the opposition parties are hoping for is western leverage to force the hand of the Algerian government.

Western policy toward Algeria has been largely dictated by French pressures and the assumption that economic under-development resulting from decades of socialist mismanagement helped fuel the FIS's support. Thus western governments last year backed a $1bn IMF standby credit to Algeria as well as a rescheduling of the official portion of Algeria's $26bn debt to the Paris Club of creditor governments. The two measures saved Algeria from bankruptcy. The IMF is already working on another three-year credit facility, which could provide $2bn to $2.5bn in fresh funds and this is almost certain to be followed by another Paris Club rescheduling.

However, the hijacking by Islamic extremists of an Air France Airbus over Christmas, which showed cracks in the Algerian government's strategy of "eradicating" the Islamist militants, and the Rome meetings have caused Europe to take another look at policy towards Algeria.

"Allowing the Airbus to go to France showed (the government) was incapable of managing the crisis," says Mr Gilles Kepel, director of research at Paris' Centre National de la Recherche Scientifique. "And the fact that a platform for peace was established without the government has led to a loss of credibility."

But despite the encouraging public statements of European officials such as Mr Alain Juppé, the French foreign minister, after the Rome meetings, France is likely to stick to its policy, at least until the spring presidential elections. As for other Europeans, the problem remains that the Rome alternative, which seeks the FIS's return to public life, may well lead to the rise of an Islamic regime on the shores of the Mediterranean, which countries such as the UK remain determined to avoid.

Meanwhile, the IMF and the World Bank maintain Algiers has been a model student of economic reform, thus sending signals of a willingness to move forward with new credit. IMF managing director Michel Camdessus insisted recently that Algiers had "scrupulously" abided by IMF requirements.

The IMF points to Algeria's budget deficit, which shrank to 5.4 per cent as a percentage of gross domestic product in 1994 from 9.3 per cent in 1993. Inflation, running in the neighbourhood of 30 per cent, is better than IMF projections of 38 per cent. Algeria's GDP growth, meanwhile, was 0.1 per cent last year compared with -2.2 per cent in 1993, though it fell short of the 3 per cent projected by the IMF.

Algiers may have gone as far as it can go on reforms in an unstable political environment. It will be hard pressed to convince the IMF it can adhere to structural adjustments such as privatisation of its state enterprises, most of which have been running at 50 per cent capacity. As one expert on Algeria's economy put it: "Can the government go out and sell a factory now? Who do they sell it to?"

However, halting aid could precipitate even bigger chaos, says Mr Kepel. "It will bring more misery and more immigration and an explosion whose consequences could lead to attempts to destabilise neighbouring regimes as a means of diverting attention from the economic crisis."

Algeria's political quagmire

- Jan 11-14, 1992: Elections FIS expected to win are cancelled, President Chadli Benjedid resigns, Mohammed Boudiaf becomes head of council of state.
- Feb 9, 1992: Government imposes state of emergency
- Jun 29, 1992: President Boudiaf is assassinated
- Jul 15, 1992: FIS leaders Abassi Madani and Ali Benhadj sentenced to 12 years in prison
- Jan 30, 1994: Gen Liamine Zeroual becomes president
- Aug 29-Sep 5, 1994: Government begins contacts with FIS
- Sep 13, 1994: Government releases FIS leaders Madani and Benhadj and places them under house arrest
- Sep 20, 1994: Government and opposition talks boycotted by FIS.
- Oct 29-31, 1994: President Zeroual admits political dialogue with FIS has failed. Announces presidential elections by the end of 1995
- Nov 1, 1994: Beginning of stepped up military campaign to crush Islamist militants
- Nov 21-22, 1994: Opposition parties, including the FIS, hold first round of talks in Rome.
- Dec 24, 1994: Armed Islamic Group hijacks Air France plane.
- Jan 9-13, 1995: opposition parties hold second round of talks in Rome, issue peace plan

Opposition leaders (from left) Hocine Ait Ahmed, Ahmed Ben Bella and Abdenour Ali Yahia in Rome last week Reuter

INTERNATIONAL NEWS DIGEST

South African amnesty invalid

The South African cabinet yesterday resolved that the controversial amnesty granted to 3,500 policemen and former cabinet ministers for apartheid crimes committed during their last days in power was invalid. The decision marks a defeat for Mr F W de Klerk, the deputy president, who last week defended the amnesty, which was granted by his administration early last year under terms of the broad legislation under which many members of the African National Congress had been indemnified. However, on Tuesday Mr Pik Botha, minister of mineral and energy affairs and acting president at the time the indemnity list was first submitted in 1991, said that a final ruling on the matter could only be made by the courts, a position which now appears to have been endorsed by the government.

The controversy, and the final cabinet decision, are particularly damaging for the National party, which is due to open its Federal Congress later today its first significant conference since being defeated in last April's election. During the three-day gathering the party is expected to set out a socially conservative agenda that favours the death penalty, strongly opposes abortion and takes a tough line on labour unrest. *Mark Suzman, Johannesburg*

Tanzania's reforms at risk

Heavy expenditure and borrowing by cash-strapped Tanzania is fuelling inflation and reversing gains achieved in eight years of painful reforms, the governor of the central bank said yesterday. Mr Idris Rashid told parliament that unless government borrowing from commercial banks, now standing at $60m, was curtailed it would push inflation to nearly 40 per cent from 36 per cent and derail the economic recovery programme. "This is poised to wreck the peace and stability we have been enjoying," the governor said. "Gains registered between 1987 and 1992, where the gross domestic product grew at the average of 3.8 per cent, with the rate of inflation dropping from 32.4 to 21.9 are now on the reverse."

Tanzania embarked on free market reforms in 1987 after reformist President Ali Hassan Mwinyi signed a deal with the International Monetary Fund and threw out founding father Julius Nyerere's dogmatic socialist programmes. The bank chief said the purchasing power of Tanzania's shilling had been reduced by more than 78 per cent since the country embarked on the reforms. Tanzania's liquidity position worsened after traditional Nordic donors froze aid last November of up to $35m in balance of payments support because of concern at official reports that rampant tax evasion cost the country $125m in 1993. Other donors followed suit and withheld undisclosed amounts. *Reuter, Dar es Salaam*

Bankers criticise naira move

The central bank of Nigeria has debited N10bn (about $125m at parallel rates) from the banking system in an attempt to ease pressure on the naira as foreign currency trading restrictions are partially lifted for the private sector. The central bank uses these debits, known as stabilisation securities, to reduce liquidity in the system and curb inflation and devaluation. The move was criticised by bankers in Lagos who questioned whether the newly re-opened foreign exchange market would be completely deregulated as stated in this week's budget.

The government still controls the inflow of dollars from the oil companies, 90 per cent of the private sector supply, and has retained the 21 per cent ceiling on interest rates. The banks quoted a rate of N85 to the dollar yesterday on the open market. The weakness of the naira last year stemmed from the government deficit, backed by printing new notes. In last year's allocations of hard currency to the private sector at the official exchange rate of N22 to the dollar, demand exceeded supply by as much as 20 times. By last December N86bn of bank liquidity was chasing a monthly allocation of $120m, but under the new system much of this cash should be free to bid for dollars on the open market. *Paul Adams, Lagos*

Banda trial is postponed

The murder trial of former Malawi president Kamuzu Banda and three others was postponed yesterday after defence lawyers failed to appear in court. Dr Banda, his associate Mr John Tembo and two police officers are accused of having murdered four opposition politicians in May 1983. Thousands of people gathered outside the court building which was heavily guarded by police with dogs. *Reuter, Blantyre*

NEWS: WORLD TRADE

Brittan wants WTO rules for investment

By Guy de Jonquières, Business Editor

Sir Leon Brittan, the EU trade commissioner, is to seek to open negotiations soon in the World Trade Organisation aimed at creating global rules and disciplines for the treatment of cross-border investment.

He will launch the proposal on a visit to Washington later this month. He plans to seek support for it at a ministerial meeting in May of the "Quad" powers – Canada, the EU, Japan and the US – and at the Group of Seven summit in Halifax, Nova Scotia, in June.

Sir Leon will argue that a concerted multilateral effort to devise a comprehensive framework for investment will meet practical business needs and help to maintain the momentum of trade liberalisation after the Uruguay Round world trade accord.

Commission officials say the proposal is backed by senior executives of many large European companies, who want stronger rules to safeguard their investments and guarantee fair treatment, particularly in developing countries.

Sir Leon is also understood to view the initiative as a way to deflect pressures from some industrialised countries, such as the US and France, to promote politically contentious issues, such as labour rights and environment policy, to the top of the WTO agenda.

Sir Leon's advisers are confident of winning approval from the EU council of ministers this year to initiate negotiations on the proposal in the WTO. However, progress will depend critically on the attitude of the Clinton administration, which is said to be divided.

The US Treasury is understood to be broadly favourable. But Mr Mickey Kantor, the US trade representative, is said to want to confine negotiations on investment rules to the Organisation for Economic Co-operation and Development.

Sir Leon argues that the WTO is a more promising forum, because OECD agreements do not cover developing countries. These account for an increasingly large share of the world's inward direct investment and often have regulations which are unclear or discriminatory.

Unlike OECD agreements, which are non-binding, commitments given in the WTO could be enforced through its disputes settlements mechanisms. These are designed to be more effective than those in the General Agreement on Tariffs and Trade.

Sir Leon would like WTO rules which required host countries to operate transparent regulatory regimes and prevented unfair discrimination against foreign investors. They would include guarantees against expropriation of assets and freedom to repatriate profits and to convert between local and foreign currencies.

He also favours measures which would entitle foreign companies to participate in government-funded research.

Drug sales increase despite state spending curbs

By Daniel Green

Drug sales in the world's 10 biggest markets reached $100bn between January and October last year, a 5 per cent rise over the the same period in 1993, according to figures published today.

This represented a recovery from a poor start to 1994, although the growth rates remain below their levels in the 1980s and early 1990s.

The recovery suggests that government measures to control drugs spending within wider efforts to limit spending on health are having only a limited effect.

Growth in drug sales is accelerating in France and Spain and still strong in the US and UK, according to figures from IMS International, the specialist market research organisation.

Italy is the only large market where drugs sales were below their level in the first 10 months of 1993. The 6 per cent fall to $6.1bn resulted from radical government reforms in January 1994 when the state amended the way it pays for medicines.

In the US, where the Clinton administration's healthcare reform plan has stalled, drug sales were $40.5bn for the first 10 months, a rise of 8 per cent on the same period in 1993.

By comparison, growth in Europe's top seven countries was only 3 per cent, taking sales to $38.4bn.

In Japan, where price cuts were imposed in April 1994, sales were only 2 per cent up at $18.1bn.

Within Europe, the UK spends relatively little on health in general and drugs in particular. The 8 per cent growth in sales took the bill to $4.6bn, less than half that of Germany or France.

Germany introduced its drug spending controls in 1993, so the 6 per cent rise to $11.2bn in the first 10 months of 1994 was a recovery from a low base. France has yet to impose drug spending changes and sales rose 4 per cent to $10.5bn, faster growth than in previous months.

By therapeutic area, central nervous system drugs performed well with sales in the biggest 10 markets showing an 8 per cent rise to $12.7bn. The 10 markets are in order of size: the US, Japan, Germany, France, Italy, the UK, Spain, Canada, the Netherlands and Belgium.

This category includes anti-depressants, an area where powerful new products have earned wide publicity. In the US, central nervous system drugs are now the biggest single therapeutic category. The category is the third largest overall behind heart drugs and digestive tract drugs, in spite of very low sales in Japan. Historically, Japan consumes few central nervous system drugs. Sales there rose 5 per cent to just $918m.

In Europe, sales of heart drugs climbed 23 per cent higher than in the first 10 months of 1993 to reach $8.7bn.

Roche and Pfizer results and Lex comment: Second section

World pharmacy drug purchases, January-October 1994 ($m)

	N America	Japan*	Germany	France	Italy	UK	Spain	Netherlands	Belgium
Cardiovascular	7,055	2,815	2,689	2,620	1,409	766	660	264	271
Alimentary/metabolism	7,099	3,509	1,964	1,721	1,097	900	545	318	210
Central nervous system	7,370	918	1,195	1,209	604	611	378	168	212
Anti-infectives	3,957	2,228	737	1,260	756	328	413	90	158
Respiratory	4,484	1,382	1,146	834	386	701	326	199	128
Musculo-skeletal	1,881	1,767	601	465	343	301	182	63	74
Blood agents	1,959	1,502	429	631	361	74	190	62	54
Others	9,481	3,933	2,390	1,790	1,179	875	603	256	232
Total	43,286	18,054	11,151	10,530	6,135	4,556	3,297	1,420	1,339
% Change**	8	2	6	4	-6	8	5	6	4

Source: IMS International *Non-hospital market only **Increase excluding currencies

Caricom reacts warily to Cuban offer of Havana trade office

By Pascal Fletcher in Havana and Canute James in Kingston

The Caribbean Community (Caricom) has reacted cautiously to a proposal from Cuba that it establish a permanent trade office in Havana.

Caricom's reservations over the possible repercussions on its trade relations with the US emerged during a two-day meeting of a Cuba-Caricom joint commission. The body was set up just over a year ago to co-ordinate co-operation between the 13-member group and Cuba, the Caribbean's biggest island.

Mr Ricardo Cabrisas, Cuba's foreign trade minister, stated Cuba's interest in signing a framework trade and investment agreement with Caricom and said an office in Cuba would be a logical step.

Mr Edwin Carrington, Caricom secretary-general, said such a move would have to be evaluated. He questioned whether the current level of trade between Cuba and Caricom – around $35m in 1994 – justified the opening of a trade office in Havana.

However, the main concern appears to relate to the US, Caricom's main trading partner, which maintains an economic embargo against Cuba. Mr Carrington said the Cuban proposal could be included in a report to Caricom heads of government who meet in Belize next month.

Since the collapse of the Soviet bloc, Havana has made a special effort to nurture relations with its Caribbean neighbours and has diplomatic ties with all Caricom members except two, St Kitts and Nevis, and Dominica. Cuba was also among 24 countries that formed the Association of Caribbean States last July.

Cuba-Caricom trade is hampered by a lack of regular transport links. Trade in 1994 included estimated Cuban exports of between $7m and $8m, consisting of cement, steel bars, citrus and tobacco. Cuban imports from Caricom include food and chemical and oil products.

Cuba has also formed construction joint ventures with Jamaica and Guyana and has a tourist hotel joint venture with a Jamaican group. Caricom has taken further steps towards the creation of a customs union with a scheduled reduction this month of tariffs on imports from third countries.

The common external tariff lowers duty rates on imports which do not compete with goods produced within the community, and sets higher rates on those which are likely to harm domestic industry. Under the tariff, the highest rate of duty on all but some agricultural imports is now 30 per cent, with some imports attracting no duty.

Rates differ where the imports are raw materials or finished products, with agricultural products given protection. Imports for agriculture are subject to very low tariffs. Before the common tariff was implemented, duties ranged from 5 to 70 per cent.

Rates on finished goods and non-competing agricultural products have been cut from 30 to 25 per cent, while competing raw materials and capital goods will attract 15 per cent instead of 20 per cent. Raw material imports which do not compete with Caricom producers will be duty-free, while similar capital goods will pay 5 per cent. Some agricultural imports will attract a 40 per cent duty to protect Caricom production.

NEWS: UK

Conservative rebels snub premier with attack on EU

Eight rebel Conservative MPs plan to launch a hardline attack on the European Union today in a calculated snub to peace overtures from Mr John Major, the prime minister, Kevin Brown writes from Westminster. The 1,000-word policy paper, which amounts to a Euro-sceptic manifesto, is a serious blow to Mr Major's hopes of an early rapprochement with the rebels. The policy paper – dubbed a "mission statement" by one rebel MP – advocates a tougher approach to the EU in the run-up to the intergovernmental conference in 1996, including greater use of the UK veto and rejection of monetary union.

It stops short of advocating UK withdrawal from the Union, but demands renegotiation of the common fisheries policy in order to restore British sovereignty over coastal waters.

Rebel MPs denied that the decision to publish the paper was intended as a signal of defiance from the group, most of whom were suspended from the parliamentary Conservative party after defying the government in a vote on EU finance in November. Sir Teddy Taylor, MP for Southend East, said the paper provided a basis for Tory unity on Europe. "There are real problems that cannot be avoided," he said. "We are presenting ideas about the way they can be solved."

However, the paper will fuel ministerial fears that the rebels are determined to extract concessions from the prime minister on Europe before agreeing to rejoin the parliamentary party.

In a further sign of the rebels' determination not to weaken, it also emerged that informal inquiries had been made to determine whether the group qualified for taxpayer-funded assistance with office and research expenses.

Mr Major held out an olive branch to the group earlier this week, suggesting that they could return to the parliamentary party within weeks if they demonstrated loyalty to the government.

● As part of its commitment to the EU's Common Fisheries Policy the UK government must cut fishing capacity by 19 per cent by next year, Deborah Hargreaves writes. It estimates that capacity has been cut by only 4.8 per cent so far.

The government had aimed to meet its obligations with a two-pronged approach to include decommissioning and a move to restrict the number of days fishermen could spend at sea. A legal challenge by fishermen forced the government to abandon its days-at-sea policy early last year.

The government says 135 boats left the industry in the first year of the scheme (1993-1994) from a total fleet of more than 11,000. The government is looking at other ways of reducing fishing effort, such as technical conservation measures and cutting the number of fishing licences available.

Top Tory calls for MPs' code of conduct

By James Blitz

A prominent Conservative politician yesterday called on parliament to draft a code of conduct governing the relationship between MPs and commercial lobbying agencies following recent controversy over the role played by lobbyists in British politics.

Dame Angela Rumbold, a vice-chairman of the Conservative party, told the Nolan committee, which is investigating standards of conduct in public life, that it was acceptable for an MP to be employed by a lobbying agency in a consultative role, offering advice on strategy and presentation.

But Dame Angela – who recently resigned as director of a prominent lobby company – said MPs should be forbidden from approaching ministers and fellow parliamentarians on behalf of a lobby agency.

Asked by the committee – holding its second day of hearings in London – whether parliament could establish a code of practice to that effect, Dame Angela said: "I think it would be perfectly possible to do that."

The activity of lobby companies at Westminster is being investigated by Lord Nolan and his colleagues following allegations about their involvement in "cash-for-questions" scandals last year. One of the lobby groups involved has fiercely denied the allegations.

Yesterday, Dame Angela defended her role as a director of Decision Makers, a company that successfully lobbied for Ebbsfleet in Kent as the site of a new international station for the Channel tunnel rail link.

In her evidence to the committee, she revealed that she had been paid between £8,000 and £12,000 a year by Decision Makers to offer general strategic advice on parliamentary matters to Mrs Maureen Tomison, chairman of the company.

She stressed it had been part of her "personal code" never to "advocate" on behalf of any client at Westminster, claiming that this was "something I would not have cared to have done".

She also said she did not help any of Decision Makers' clients to identify or meet ministers who might help their business projects – but admitted that other MPs might not have adopted the same policy.

UK NEWS DIGEST

Airline in talks on cross-Channel rail agreement

British Midland, the London-based airline, is in preliminary discussions with Eurostar, the cross-Channel rail operator, about the possibility of making tickets transferable between their two services. British Midland said yesterday it was interested in an agreement with Eurostar which could allow its customers to fly from London to Paris or Brussels and then use their return air ticket to make the journey back by rail. Eurostar confirmed early discussions had taken place but said these had not gone into the detail of how ticket transfer might take place.

Eurostar said it was talking to several airlines about arrangements under which they would carry each other's passengers if either of the services suffered operating difficulties. British Airways confirmed it was discussing such an arrangement with Eurostar. Eurostar said, however, that British Midland's proposals appeared to go further.
Michael Skapinker, Aerospace Correspondent

BA may appeal over Virgin

British Airways said yesterday that it is likely to seek leave to appeal against a decision by a US court that Virgin Atlantic can proceed with an action against BA over the "dirty tricks" affair.

Judge Miriam Goldman Cedarbaum ruled earlier this month that Virgin could proceed with a $1bn anti-trust lawsuit against BA in the US courts. The judge allowed three of Virgin's eight claims to stand, dismissing the remaining five. BA said it intended to ask the judge for leave to appeal against her ruling. Virgin, which has rejected the possibility of an out of court settlement, criticised BA's move. *Michael Skapinker*

Software group in £40m deal

Computervision, the US software group, and Warwick Manufacturing Group – part of Warwick University in the English Midlands – have signed a $40m contract to develop and sell enhanced technology to manufacturing companies. Warwick said the agreement was the biggest reached by a British university and an industrial company.

The US group, which has a subsidiary in Coventry, will provide software which Warwick Manufacturing will adapt and apply to the manufacturing process of particular companies. Warwick Manufacturing will also provide training for employees of companies buying Computervision software.

Warwick Manufacturing will receive $40m over four years split three ways in roughly equal proportions: training, project management on a company-by-company basis and long-term development of Computervision's software.
Paul Cheeseright, Midlands Correspondent

Rover increases European sales

Rover Group, the leading UK carmaker, increased its sales of Rover and Land Rover vehicles in continental Europe by 16 per cent last year to 160,387 and achieved record sales in France, Italy and Spain. The group, a subsidiary of BMW of Germany, increased its sales in France, its second largest market after the UK, by 13.4 per cent to 52,132.

Its sales in Italy rose by 28 per cent to 34,324 in a market that declined overall by 2.7 per cent, while sales in Spain increased by 25 per cent to 27,424. Rover remains very weak in Germany, but it is investing heavily to improve its sales and distribution network, and sales in Germany rose by 5.8 per cent to 11,465 in an overall market that was virtually unchanged. *Kevin Done, Motor Industry Correspondent*

LABOUR FORCE SHRINKS In spite of rapidly falling unemployment the Department of Employment's latest Labour Force Survey shows a decline in the size of the British labour force. The survey, covering September to November, found that the number of people in work or seeking a job fell 51,000 to 27.7m in the 12 months to last autumn. The Trades Union Congress estimated its affiliated membership fell last year by 6 per cent, from 7.2m to 6.8m, against a postwar peak of 12m in 1979.

MORE WOMEN ACCOUNTANTS More women are entering the accountancy profession but few make it to senior positions, according to a survey published yesterday by Britain's Chartered Institute of Management Accountants.

The survey, based on a sample of 400 organisations, concludes that 36 per cent of students in the six professional bodies are women, and that "any barriers to women entering the profession have been largely overcome".

Battle-scarred district fights for business

A history of savage violence in west Belfast is not deterring US and Asian investors, says John Murray Brown

Springfield Road in west Belfast passes through Protestant and Roman Catholic areas of the city

Attracting investment to Northern Ireland is tough, but luring it to west Belfast is much tougher.

When BCO, a small US-owned electronics factory in the largely Irish nationalist Andersonstown area tried to win a long-term contract from National Semiconductor, the US computer giant insisted that it would also have to establish a plant in the US. It could not rely on just one supplier in a location riven by political violence.

BCO's future was secured only by the intervention of two politicians who are normally opponents. Dr Joe Hendron, the Social Democratic and Labour party MP, and Mr Cecil Walker, a unionist councillor who supports a continuing constitutional link with Britain, flew to California to persuade National Semiconductor of the area's merits.

Investors already have to weigh up incentives, infrastructure, market access and labour conditions as well as political stability. As BCO's experience shows, they also have to be convinced that west Belfast is a place they can do business from.

One attraction for BCO was the generous grants offered by the Industrial Development Board, the government agency handling investment policy, which can provide up to 70 per cent of start-up costs.

Critics complain that the board's policy discriminates in favour of Protestant areas such as east Belfast. But as one government official put it, many potential investors are simply scared off by the graffiti on the walls and – until last weekend – the sight of soldiers on the streets.

West Belfast has had an unhappy investment history. It was here, on the site now occupied by Montupet, a French car parts maker, that the ill-fated De Lorean sports car plant was established with government grants in 1978.

It is a common complaint that government grant policy has been too risk-oriented. But as Mr Paul Goreski of the Northern Ireland Economic Council expressed it: "If it's low risk then the private sector should do it."

West Belfast was once the centre of a thriving textile industry. Mackie's, the Falls Road textile engineering company which recently came to the market, was the second biggest private company in the UK, employing 7,000 people. Courtaulds, Imperial Chemical Industries and Goodyear had plants in west Belfast.

Today the area has a population alienated from the government, and it has pockets of unemployment unmatched anywhere in the UK. In some areas as much as 30 per cent of the potential workforce is out of work, of whom 70 per cent are long-term unemployed.

Yet investors are likely to be attracted by the big pool of educated labour. When BCO came to recruit it had no trouble finding six graduates with first class degrees. The company, which has linked with the research department at Belfast's Queen's University, is still at the laboratory stage. But with orders coming in Mr Scott Blackstone, one of the three founders, believes it could soon be employing several hundred.

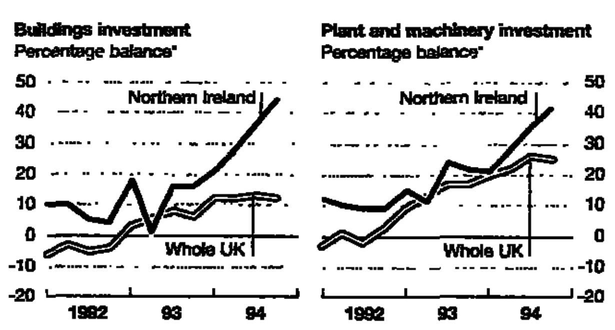
The government has a dual policy for areas such as west Belfast, focusing on social need and trying to attract private capital. Sir Patrick Mayhew, Northern Ireland secretary, unveiling the latest public expenditure settlement for the province, said additional funds were being allocated to Making Belfast Work, an initiative set up in 1988 to help the most disadvantaged areas.

A new confidence is slowly taking root. During the investment conference organised last month by Mr John Major, the British prime minister, Fujitsu, the Japanese electronics company, announced that it was creating 100 jobs at Springvale Park, west Belfast. Ford, which has had a presence in the city's west end since the 1960s, unveiled plans for a £15m investment in production lines. CIS Technologies of Taiwan, a computer disk manufacturer, is close to finalising agreement on an investment in the Poleglass area.

Even Sinn Féin, the political wing of the Irish Republican Army, is starting to develop an economic programme, concerned not to be left out as investment interest in the province revives in Asia and north America.

A local industrialist said: "They [Sinn Féin] see that the government channels funds through the Social Democratic and Labour party and that Joe Hendron is the favoured son."

Optimism about investment grows



Source: British Chambers of Commerce

*Percentage of companies expecting an increase minus those reporting a decrease

Northern Ireland is enjoying a peace dividend with business confidence sharply higher and unemployment at its lowest level for nearly 13 years, our Economics Editor writes. The chambers described employment prospects in Northern Ireland's manufacturing sector as "extremely bright".

Their latest quarterly survey, conducted in December, found that on balance companies in Northern Ireland had revised their investment plans upwards more than in any other part of the UK.

Yesterday's official labour market statistics showed that unemployment in Ulster fell by a seasonally adjusted 1,500 in December to 92,200 and was almost 8,000 lower than in December 1993.

Although the region's unemployment rate of 12.4 per cent was the highest in the UK, Baroness Denton, the Northern Ireland economy minister, said its unemployment was "now at its lowest level since February 1982".

The survey found, however, that the region's employers are suffering the worst skill shortages in the UK, with 98 per cent of manufacturers indicating difficulties in securing staff.

Company may face boycott

By Andrew Taylor

A campaign to persuade subcontractors to boycott the Alfred McAlpine construction group over a payments dispute has been registered with the Office of Fair Trading under the Restrictive Practices Act.

The Confederation of Construction Specialists has recommended that "subcontractors and suppliers should consider declining to enter into any future or proposed contract with any Alfred McAlpine group company unless they receive clear written specific assurances regarding the group's policies and practices in respect of payment". The trade association has been in dispute with McAlpine over payment problems alleged to have been suffered by sub-contractors working on a Center Parcs development in western England where McAlpine was the main contractor.

The association has recommended that customers of Alfred McAlpine "should seek unequivocal clarification of the group's contractual and payment policies and practices towards subcontractors and suppliers." It said it was required by law to register its recommendations with the OFT. The OFT said yesterday the recommendations had been registered with the Restrictive Practices Court and it did not propose any further action at this point.

McAlpine denies the allegations and has reserved the right to take legal action if they are repeated. Mr Garry Forster, company secretary, said: "Allegations that McAlpine has used commercial muscle to abuse sub-contractors and declined to pay proper debts are utterly rejected." The Center Parcs leisure development is expected to result in claims for extra payments by subcontractors and McAlpine.

The dispute has arisen when government and the construction industry are studying proposals in an independent review to improve the industry's trading relationships.

Cost of retail crime up 27%

By Alice Rawsthorn

UK retailers faced a bill of £2.7bn ($4.2bn) for crime and crime prevention last year, an increase of 27 per cent – £550m – over the previous year, according to the British Retail Consortium, the industry body.

The consortium's report covers the past financial year and 53,000 stores, which account for almost half the UK's £67bn retail sales.

It found that retailers lost a total of £2.15bn during the year through crimes such as shop theft and burglary.

Retailers stepped up investment in crime prevention measures including hiring security staff and installing closed-circuit television systems. Spending on crime prevention rose to £551m during the year from £419m in the previous year.

This increased investment reduced the occurrence of some forms of retail crime, notably criminal damage and attacks on staff. The consortium also detected a fall in the cost of burglary and robbery.

In spite of this investment there was still a significant increase in the incidence and cost of retail crime last year.

This is partly attributable to more efficient crime detection and reporting by retailers.

The costliest types of retail crime were theft by customers and staff. Retailers claimed to have witnessed 4.8m incidents of customer theft last year, a 256 per cent increase on the previous year.

The Retail Consortium warned that shoplifters were becoming more professional, often operating in organised gangs. However only 807,357 customers were actually apprehended for suspected theft, of whom 548,323 were referred to the police. Only 17,344 of the 37,468 employees apprehended for suspected theft were reported to the police.

There were 161,139 burglaries in the retail sector last year – 53 incidents for every 100 outlets.

Exports lead recovery as domestic growth levels off

By Peter Norman, Economics Editor

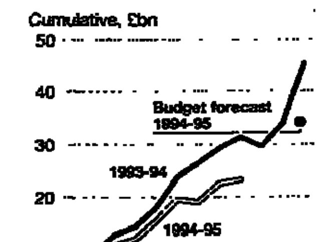
Exports continue to lead Britain's economic upswing while growth in the domestic market appears to be levelling off, the British Chambers of Commerce report today.

The chambers' latest quarterly survey of business opinion found a significant improvement in UK export activity, with orders growing at their fastest rate since the survey began in 1985.

At home, manufacturers' sales and orders rose gently. The balance of manufacturers reporting higher sales in the UK market over those reporting a decline rose to a six-year high of plus 36 per cent in December from 35 per cent three months previously. The chambers expect sales growth to continue in the current quarter following a rise in the balance of home orders from plus 32 per cent in September to December's plus 35 per cent, the highest figure since 1987. Activity in the service sector appears to have reached a peak, however.

The survey of 8,067 companies was carried out between December 2 and December 23. It is the biggest survey of UK business opinion. Mr Richard Brown, the chambers' deputy director-general, said: "The immediate outlook for the UK economy is positive with growth of exports almost certain to continue."

PSBR



Source: CSO

Change in the public sector borrowing requirement

AVERAGE EARNINGS STABLE: The annual growth rate of workers' average earnings is remaining stable in spite of evidence of a rise in pay settlements, the Department of Employment said yesterday.

Average earnings grew by an underlying 3.75 per cent in the year to November, the same rate as in each of the preceding five months. The department backtracked on its original estimate that earnings growth had accelerated to 4 per cent in the year to October because bonus payments were lower than expected.

Mr Michael Portillo, secretary of state for employment, said earnings growth might have remained stable as settlements picked up because bonuses were being consolidated into basic pay.

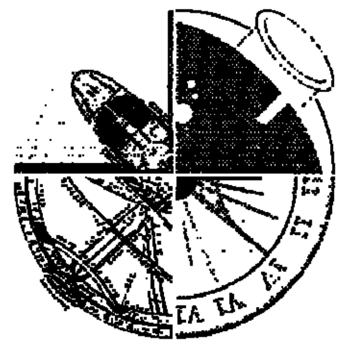
The Confederation of British Industry believes pay settlements in manufacturing have increased to about 3.4 per cent in the three months to November from 2.2 per cent a year earlier.

RETAIL PRICES EDGE UPWARDS: One of the first hints that retailers may be trying to edge prices upwards after months of discounting emerged yesterday, after official figures showed that inflation had risen in December. A significant part of the price rises was concentrated in food and household and personal goods.

The Central Statistical Office said yesterday that the all-items retail price index rose to 146 in December – 0.5 per cent higher than in November and 2.9 per cent higher than in the previous December.

TECHNOLOGY

Worth Watching · Vanessa Houlder



Plastics breakthrough

British Petroleum reports a breakthrough in the production of polyethylene, the world's most commonly used plastic, reports Robert Corzine.

BP says its research institutes in France and the UK have developed a new "high productivity gas phase" technology that has been demonstrated in commercial conditions and that can be retrofitted to existing gas phase polyethylene reactors.

The new process allows for a 100 per cent increase in output from a single polyethylene reactor, or a 50 per cent decrease in investment costs.

BP says the key to the new process is its ability to remove heat efficiently from the reactors. The problem of heat removal is one of the main factors limiting the output of the current generation of polyethylene reactors.

BP Chemicals: UK, fax 0171 496 4009.

Computers take to networking

Toshiba Corporation, the Japanese computer group, has devised a method of increasing the flexibility of computers which are linked in networks.

The Wireless Desk Area Network allows portable computers to form wireless communication networks free of fixed facilities, such as a system server. The equipment consists of dedicated communications software, together with either a wireless Lan card or an infra-red transceiver.

It automatically identifies terminals with which it can communicate, up to a distance of 100m. Users can select the terminals to which data are transferred.

Toshiba believes the technology will allow "paperless" meetings, in which information can be distributed via the network, rather than on paper.

Toshiba: Japan, tel 033457 2105; fax 033456 4776.

Shadow over ulcer drugs' future

The prospects for ulcer drugs took another blow this week with the publication in the New England Journal of Medicine of further evidence that antibiotics are as effective in the treatment of ulcers, writes Daniel Green.

This emerged in a study of 85 patients which showed there was no significant difference between those who were given antibiotics and those who took Losec, an advanced ulcer drug made by Sweden's Astra. The antibiotics kill bacteria called H Pylori, which infect about 70 per cent of patients with gastric ulcers.

Although the principle has been supported by the work, it does not yet spell the end of some of the world's biggest-selling drugs.

Medical authorities fear that wider use of such powerful antibiotics will lead to resistant strains of more dangerous bacteria. And the research excluded patients whose ulcers had arisen from their use of non-steroidal anti-inflammatory drugs, used in arthritis and an important cause of ulcers.

Joseph Sung, Prince of Wales Hospital, Shatin, Hong Kong. Tel: 26 36 22 11.

£5m research fund for UK opportunities

The Centre for Exploitation of Science and Technology, an independent organisation that promotes links between industry, government and academia, has set up a fund for research into market and technology opportunities for UK business.

The research fund, which is expected to pay for about £5m of research over the next five years, will be based on subscriptions and donations from Cest members, comprising 35 companies in the public and private sector.

Its first project is to identify the commercial opportunities in the National Technology Foresight project and to show companies how they can apply Foresight's findings to their own strategies.

Cest: UK, tel 0171 354 9942; fax 0171 354 4301.

Alice Stewart's work has changed US clinical practice. So why has she been shunned in her native Britain? **Clive Cookson** explains

Unsung heroine

Alice Stewart is one of the unsung heroines of British medical research. She has helped to alert the world to the dangers of low-level radiation, yet she remains unrecognised by the UK scientific establishment.

At the age of 88 she still works full time as a senior research fellow at Birmingham University, occupying a prime office suite in the medical school's main building. But her accommodation is less a tribute to her status than to the American funds she brings in.

Stewart moved to Birmingham after "retiring" from Oxford University 20 years ago. Her 70s, a lean period for research funding, were spent working from a Portakabin outside the medical school. During her 80s she has won $2m (£1.2m) worth of grants from the Three Mile Island Public Health Fund – hence the upgraded office space.

"I admire her courage, honesty and persistence," says Eva Alberman, former professor of epidemiology at the London Hospital and now consultant to the UK Office of Population, Censuses and Surveys. "She has made some fundamental discoveries and her wariness about the health effects of ionising radiation has been very influential."

Although Stewart has been based in the UK throughout her career she is far better known in the US. Her battles over the past 20 years with the US government and nuclear industry, over the health records of atomic workers, have brought much coverage in the American media and a reputation, in the words of the New York Times, "as perhaps the Energy Department's most influential and feared scientific critic".

Her fight for access to the records of 30,000 workers at Hanford nuclear reprocessing plant in Washington state, the world's best statistics on occupational radiation exposure, ended in victory in 1990. Stewart and her long-term research partner, the statistician George Kneale, are still analysing the Hanford records for further information about the effects of prolonged exposure to low-level radiation. They are also re-working radiological data for survivors of the Hiroshima and Nagasaki atomic bombs, which provide the main basis for official radiation dose limits.

Stewart and Kneale say this latest work confirms their preliminary conclusion in 1976 that the official international guidelines substantially underestimate the risks of developing cancer through low doses of radiation.

Stewart has never attained high academic rank and never run a large research group. At Oxford she was reader in social medicine from 1955 to 1974 but missed out on the professorship which many felt she deserved.

"I'm afraid she was frozen out. That's the way people deal with their opponents," says a senior Oxford scientist who is familiar with Stewart's work.

"Sometimes people treat us like Stalin did Trotsky, removing us from the records," Stewart complains.

She contrasts herself with Sir Richard Doll, now honorary consultant at the Imperial Cancer Research Fund's Oxford unit, who has been Britain's most powerful cancer epidemiologist for decades. "He was on a Medical Research Council committee that turned me down for funding in the 1950s," Stewart says. "There's an old-standing rivalry there."

Although Stewart's outsider status may have preserved her scientific independence, she admits that it sometimes hurts, too. "I feel rather sad that I have not had the opportunity to train any medical successors; I should like to have left a slight imprint on the doctors."

Stewart is especially upset when researchers fail to mention or credit the pioneering Oxford Survey of Childhood Cancers which she ran from 1953 to 1979, a register of 22,400 childhood cancer deaths from the whole UK – the largest such database in the world.

When the UK Co-ordinating Committee for Cancer Research, representing all the main cancer research funding bodies, launched a "unique national survey of children's cancer" in 1992 with Sir Richard as chairman, there was no mention of the fact that it was a follow-up to the Oxford Survey. And Stewart and her work were ignored again last year when three of Britain's best-known radiation specialists published a wide-ranging review of childhood cancer and nuclear installations.

The most important conclusion from the Oxford Survey came in 1956, when Stewart showed that prenatal X-rays were causing childhood leukaemia. It was the first evidence of low-level radiation harming human health – and quickly changed clinical practice.

Yet the 1950s were a period of optimism about both the nuclear industry and medical technology. "The suggestion that a small diagnostic foetal exposure to X-rays could lead to childhood cancer was a shocking one that initially many people did not want to believe," says Christine Cassel, professor of medicine at the University of Chicago.

"Now this concept is universally accepted and precautions based on it are routine. This was the first of many times that Alice Stewart was to be the bearer of news that people did not want to hear but which had enormous implications for health and survival."

However, unlike Stewart's findings on the effect of prenatal X-rays, her analysis of nuclear workers is far from universally accepted, as Sir Richard, 83, makes clear. "I have a great admiration for her work on the foetus but I think she has gone off the rails in her more recent radiation work," he says. "Her methodology is not scientifically valid."

Stewart believes that her strong identification with anti-nuclear campaigners has prevented her findings getting through to the scientific establishment. "I do side with the antis but I don't agree with their hysterical reasoning," she says. "If the nuclear employers listened to what we are saying and played fair with their people, they would have to pay some compensation but it would not be a very large amount."

An important factor which has emerged from Stewart and Kneale's analysis of both nuclear workers and A-bomb survivors is that, above the age of 30, sensitivity to radiation damage increases very rapidly indeed with age. Workers in their 50s are more likely to develop cancer after exposure to a given radiation dose than those in their 20s, even allowing for a typical latency period of two decades. In other words, Stewart says, most cancers due to occupational exposure to radiation will appear among people in their 70s and 80s.

"In the end the story will come out," she says confidently, "and it's going to revolutionise our ideas about what is really happening with radiation. Then the industry will be able to breath a sigh of relief."

NewsTeam

Alice Stewart: 'I do side with the antis but I don't agree with their hysterical reasoning'

ARTS

Cinema/**Nigel Andrews**

Blood-letting liaisons

INTERVIEW WITH THE VAMPIRE (18)
Neil Jordan

WELCOME II THE TERRORDROME (18)
Ngozi Onwurah

ROUGH DIAMONDS (PG)
Donald Crombie

THE LAST MACHINE
BBC TV

Like cinema itself, vampires defy time. Stalking unchanged through the decades, they are rejuvenated by the blood of passers-by much as movies stay young by feeding on fresh audiences.

In Neil Jordan's sombre, elegiac *Interview With The Vampire* – set in the American deep south and Europe during the last 200 years – the title bloodsucker (Brad Pitt) actually encounters cinema. We catch him, just like Gary Oldman in Coppola's *Dracula*, resting his appetite in a movie theatre. Courtesy of celluloid, he is able to watch his first sunrise since he "died".

This is a haunting movie: all about time's crooked arrow and the illimitable longings of mortal and immortal life. Filming novelist Anne Rice's cultish spinechiller about a Louisiana landowner (Pitt) baptised into blood-drinking by a young/old mentor (Tom Cruise as Rice's serial ogre Lestat), the director of *Angel* and *The Crying Game* makes a film that never seems a catchpenny comedown from his earlier work.

Probably Jordan was never going going to give us "Bloodbath In The Bayous" anyway. But the mood here is strange, restrained; stricken with a lyrical melancholy. Faces are lit with a half-light more regretful than high-Gothic. The film's heraldic colour is ashy-grey with hints of subaqueous green.

Though this is a "modern" vampire story, time-shock gimmickry is confined to the use of Rice's titular framing device. We meet Pitt patiently spilling his life to a young reporter (Christian Slater), who seems nervous that his own life may be about to be spilled. From there we flashback to the main story: the friendship tinged with eroticism between handsome Pitt and handsomer Cruise.

Jordan, though, treats even this liaison without sensationalism. Though the couple fly straight up into the air at their first hungry embrace, male bonding soon yields to a *menage à trois* with a vampirised orphan girl. (This after a sequence of gourmet wrist-and-throat-slitting involving two more mature lady friends: the only moment in the movie when you might send Aunt Edna out for popcorn.)

Finally, the three end up in Paris, where a Grand Guignol theatre harbours more blood and death; plus Antonio Banderas and Stephen Rea as actors who in all senses get their teeth into the roles.

Kinky? Perhaps. Nasty? Never. The atrocities are depicted obliquely, suavely, almost sadly. Who are we, besides, to question the ways of the undead? We know only that they can transform Hollywood stars whose range we thought finite. Tom Cruise is a revelation. Hollywood's strutting college kid is transformed by a blond wig, insinuating sibilants and a mid-Atlantic accent kissed with Irishry. Demonism with a blinding smile and cultured purr, Cruise is the Ivy League's answer to Bela Lugosi.

Brad Pitt's Louis pales beside him: but then that is his character's sole function anyway. The few scenes left unstolen by Cruise are burgled by Kirsten Dunst, who brings relish to her precocious vampiress. A blonde-curled moppet with a love of blood, she is the most chilling mascot of all in this movie's tale of those who, like movies themselves, make the brave choice to devour time rather than let it devour them.

★

Faced with *Welcome II The Terrordome* – 90 minutes of militant black agitprop masquerading as a vision of the future – how is a white film critic to feel? This one felt like a war reporter asked to describe an approaching Exocet with his own name on it. One is caught between a desire for critical objectivity and an impulse to duck like hell.

But this first feature written and directed by Britain's Ngozi Onwurah is so well made – over three years and on a pittance – that we have no refuge in aesthetic dismissal. Only the opening is shakily heraldic: a *tableau vivant* of African slaves washed onto a New World shore, carrying the grim gleam of future discontent. But soon we are in the exotically sordid ghetto where the plot proper lurks. Shanty-ish squalor; wire palings; brutal gang feuds; rap songs on the soundtrack; draggle-clothed citizens raked by police car lights.

All this plus two mix-and-match heroines: a white girl carrying her black lover's baby (until she loses it to a racist white youth's nightmarish attack) and a black mother whose son falls to his death during a police purge.

The violence is neither penny plain nor tuppence-coloured: more powerful and rainbow-mythic. Onwurah's cameraman, Alwin H. Kuchler, should proceed straight to Hollywood without passing "Go". Though his and the designers' inspirational models may be familiar – *Blade Runner*, *Mad Max* and other Grunge Sci-fi classics – *Terrordome* achieves it all on a shoestring and works its own variation. This a fresco of cheek-by-jowl lives lent expressiveness less by the actors – who are try-hards rather than natural talents – than by the stunning resourcefulness of the film's lighting and camerawork: its moody filters, skewed angles, expressionist smoke deployment.

★

Jason Donovan in *Rough Diamonds* is a sight to behold. The baby-faced Aussie looks as if he has fallen straight out of his cradle into his first Serious Miscasting Incident. He plays a brawling, stubble-chinned cattle rancher who pulls sheilas, downs jars and smashes his trucks carelessly into other people's cars. Result: he falls for the citified Miss (Angie Milliken), an ex-pop singer, who stays for a few days while her car is being repaired.

The film, directed by the once estimable Donald Crombie (*Caddie*), is egregious twaddle. But I liked Donovan's unfazed charm and confidence. He is playing the wrong role and probably knows it; but he has been un-dauntable ever since moving from TV soaps to technicolor dreamcoats. He is lucky too to work in Australia, where they value their few international stars so much that they do not care about the aptness of the vehicles. Next stop: Kylie Minogue as Lady Macbeth.

Even that is no more mind-boggling than the idea of Charles Aznavour – "Sheeegh may be ze face you can't forr-get" – donning an arthouse hairshirt for a film of Gunther Grass's *The Tin Drum*. Volker Schlondorff's ambitious 1979 adaptation, stuffed with conscientious bizarrerie, is back at the Everyman Hampstead. Foreign film fans may prefer the Luis Bunuel season now at the Barbican. *Viridiana*, with its courteous blasphemies and infamously memorable Last Supper, is revived in a new 35-mm print.

Or you can take a deeper time trip. With cinema reaching a hundred this year, the first TV series to blow a coloured streamer is *The Last Machine*. We congratulate everyone concerned. Ian Christie wrote the allusive, adventurist script for this BBC2 series about the first years of cinema. And Terry Gilliam bounces around the screen as our Master of Ceremonies, joining up the different bits of coloured historical paper-chain.

Animation, social commentary, quotes from Freud and Lewis Carroll; Edwardian porn, on-camera surgery, rail travel as harbinger of the movie experience... All life is here, in the very first art form to conquer time and space; and surely the last, at least while you and I are living.

Kinky perhaps, but nasty, never: Kirsten Dunst and Tom Cruise in Neil Jordan's 'Interview With The Vampire'

Ballet

Swan Lake

And there it is, exposed to the gaze of true believers on the South Bank, the thigh-bone of St. Improbablus of Petersburg, in all its antique glory. Passed off to worshippers under the title of *Swan Lake*, and being cared for this week by English National Ballet, this relic still attracts thousands of believers. I do not notice many votive offerings around the stage, or those dusty crutches that are the usual testimony to miraculous cures ("Do you know, Doctor, I don't need *Swan Lake* any more!"), but faith and enthusiasm clearly burn bright and the congregation delights in what it sees.

I have been no less gratified by ENB's offering under better circumstances, but the Royal Festival Hall stage is too shallow for Carl Toms' designs, and the dance is crowded forward. Illusion – except of box-office success – is at a premium, and no amount of dry ice swirling around the swans is going to make the lake-side seem anything other than a pond.

The production, by the illustrious Moscow ballerina Raissa Struchkova, is a version of the staging she knew at the Bolshoi in the 1950s, and is sound enough on its Soviet-style terms. It really needs that physical passion – a full-throated emotionalism with not a little vibrato – that was the Muscovite manner in the 1950s, allied to aristocratic training. ENB's dancers make the best they can of things, on their own bright terms, and on Tuesday night I saw the Brazilian dancer Cecilia Kerche as Odette/Odile, with Roman Rykin (a young recruit from Ufa, well trained in the Vaganova method) as her Siegfried.

Miss Kerche gave a dutiful, somewhat remote reading – as if she were laying flowers on the grave of a not-too-greatly-loved aunt. Mr Rykin has good dance manners, and sure technique. He needs coaching – he is only 21 years old – for his view of the role is, shall we say, basic. (I can see, though, that in *La Fille mal gardée* – which was mounted on him by Yury Grigorovich – he must be a youthful delight). The curse of the staging, because it is a Soviet version, is the presence of the Jester, a character ever required to be the life and death of the party in Russian productions.

On Tuesday the part was taken by Fabrice Serafino, who should count himself lucky that I (unlike Siegfried) did not have a cross-bow with me. I have rarely seen such relentless vivacity, such frenzied scampering, such demonic perkiness. By comparison, Woody Woodpecker is a Trappist monk. Insufferable in the first act, Mr Serafino managed to ruin the end of the ballroom scene, when Siegfried discovers that he has been deceived, by staging his own little display of shock, horror, and Crummles-ish mumming. He must be Spoken To by the management, or tied down to something leaden – the orchestra's account of the score might do.

Clement Crisp

At the Royal Festival Hall until January 21.

Gemma Jones, Anthony O'Donnell and John Neville Alastair Muir

Theatre/**Sarah Hemming**

Strindberg's 'Dance of Death'

If Strindberg is looking down on the embattled relationship between Charles and Diana, he must be watching with a wry smile. That bitter struggle would contain no surprises for the Swedish dramatist who saw mutual antagonism as the natural condition of the two sexes.

His bleak view of the male-female conflict runs through most of his plays, perhaps expressed most clearly in *The Father* and *The Dance of Death*, both of which present us with a husband and wife locked in permanent war. But while in *The Father* a victor emerges, *The Dance of Death* ends in stalemate, with the couple at loggerheads, apparently forever.

And while Alice and Edgar are flesh and blood and their battles are frequently grimly funny, their condition is also symbolic. They live in isolation on an island, their exasperated servants have left them, and, though they both constantly declare their hatred for one another, they seem unable to separate. "We are welded together," says Alice, at one point. "Only death can part us." One wonders, however, whether the grim reaper could slide between these two souls, who both clearly depend on the conflict for their sense of purpose. As the play ends, there is something almost Beckett-like about these two characters, repeating their savage ritual of insults *ad infinitum*.

For The Almeida's production, Patrick Watkinson's elegant set suggests the play's symbolic qualities in physical form. It has all the trappings of a drawing room, but is mounted on a round wooden platform that emphasises the play's circular motion and is slightly reminiscent of a bull ring. On this arena, John Neville and Gemma Jones begin brilliantly as the warring couple, sitting in their armchairs, relaxed but watchful, like two prize fighters poised for action. It soon becomes apparent that every sentence is an opportunity for a fight; discussion of their impending silver wedding celebrations only opens the way for a major new offensive.

Neville, imperious and devilish, and Jones, nervy, commanding and voluptuous, screw every ounce of comedy out of the script – as the play opens she is picking her teeth, while he fiddles infuriatingly with an empty pipe – and they emphasise the sexual tension that sustains their misery. But, like George and Martha in Albee's *Who's Afraid of Virginia Woolf?*, Alice and Edgar need an audience for their power struggle.

They find one in Kurt, Alice's cousin. A casual social visit to the fortress soon has him sweating his way through the nightmarish layers of fantasy, lies and insults that make up Alice and Edgar's daily bread. Anthony O'Donnell's small, plump, well-meaning Kurt is excellent, as he perches between them, fidgeting nervously, like some small furry animal poised between two vipers.

So far, so good. Peter Stormare's production deals wonderfully with the play's bleak, black humour. But as it moves off into more experimental waters and crueller tactics, the production comes unstuck – Alice's affair with Kurt seems incredible.

There is a difficulty, too, with the dramatic structure of any play that explores stagnation. Strindberg overstates his case, and Stormare's production does not overcome this, neither does it negotiate the difficult mood change from blackly comic to just black, and the cast begins to compensate by slipping into melodrama. Gemma Jones, in particular, becomes increasingly mannered as the evening wears on. This is a shame as it lessens the impact of the first half. It does not destroy the evening entirely – it is still required viewing for any couple contemplating marriage – but you depart mildly stirred, rather than truly shaken.

At the Almeida Theatre, London N.1.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: conducted by Valerie Gergiev plays Oestwolskaja and Shostakovich at 8.15 pm; Jan 19
● Semiramide: by Rossini. Ion Marin conducts the Royal Symphony Orchestra at 1 pm; Jan 28
● The Royal Concertgebouw Orchestra: Valery Gergiev conducts Bartók and Stravinsky at 8.15 pm; Jan 25, 26, 27
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 19, 22, 24, 26

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 19, 27 (7.30 pm)
● Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 21 (5 pm), 26 (7.30 pm)
● Oedipus: by Rihm. conducted by Peter Keuschnig, produced by Götz Friedrich at 7 pm; Jan 22
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 22

■ BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 8434
● Champs-Elysées Orchestra: with cellist Christophe Coin and conductor Phillipe Herreweghe plays Schumann at 8 pm; Jan 23
● Philippe Herreweghe: conducts the Orchestra des Champs-Elysées to play Schumann at 8 pm; Jan 23

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Philharmonia Orchestra London: with pianist Tzimon Barto, and conductor Lawrence Foster plays Beethoven and Brahms at 8 pm; Jan 24

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Fauré: Requiem: City of London Sinfonia conducted by Harry Christophers plays Fauré and Mozart at 7.30 pm; Jan 20
● Pierre Boulez: conducts the London Symphony Orchestra to play Stravinsky, Webern, Bartók and Boulez's own, 'Notations I-IV' at 7.30 pm; Jan 22 (3 pm), 24, 26
● Popular Classics: with the London Concert Orchestra conducted by David Arnold. Highlights include Ravel's 'Bolero' and Strauss' 'Blue Danube Waltz' at 8 pm; Jan 21
Festival Hall Tel: (071) 928 8800
● Royal Philharmonic Orchestra: with soprano Galina Gorchakova and conductor Valery Gergiev plays Wagner at 7.45 pm; Jan 24
GALLERIES
Barbican Tel: (071) 638 8891
● Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. Over 200 works by over 100 artists including Degas, Rothenstein and Whistler; from Jan 19 to May 7
British Museum Tel: (071) 636 1555
● Ancient Egypt and Contemporary Art: 12 works commissioned by the museum alongside the existing collection of ancient Egyptian relics; to Jan 19
National Portrait Tel: (071) 306 0055
● The Sitwells: the arts of the 20's and 30's through the eyes of the Sitwells; to Jan 22
Royal Academy Tel: (071) 439 7438
● The Painted Page: Italian Renaissance book illustrations from 1450-1550; to Jan 22
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 6.30 pm; Jan 21, 26, 28
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss at 7.30 pm; Jan 23, 27
Festival Hall Tel: (071) 928 8800
● Swan Lake: by Tchaikovsky. The English National Ballet choreographed by Raissa Struchkova and supported by its Orchestra at 7.30 pm; to Jan 21 (Not Sun)
Royal Opera House Tel: (071) 340 4000
● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidò. In Italian with English surtitles at 7 pm; Jan 23, 25, 28
● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 20, 24, 26
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 19
THEATRE
National, Lyttelton Tel: (071) 928 2252
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 20, 21 (2.15 pm)
National, Olivier Tel: (071) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford at 7.15 pm; Jan 27, 28 (2 pm)
Riverside Studios Tel: (081) 741 2251
● Hancock's Last Half Hour: by Heathcote Williams, directed by Mark Piper. Set in a Sydney rented apartment. Jim McManus relives comedian Tony Hancock's last hours at 8 pm; from Jan 19 to Feb 11 (Not Sun)

■ MADRID

CONCERTS
Fundación Juan March Tel: (91) 435 48 40/435 42 40
● Henry Purcell and Other English Composers: a series of concerts of works by English composers such as Purcell, Tallis and Gibbons at 7.30 pm; Jan 25

■ NEW YORK

GALLERIES
Guggenheim Tel: (212) 423 3652
● The Italian Metamorphosis 1943-1968: a survey of visual arts in the postwar period; to Jan 22
Museum of Modern Art Tel: (212) 708 9480
● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 21
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 21 (1.30 pm), 24, 28
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 20, 25, 28 (1.30 pm)
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 19, 23, 26
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Jan 27

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● National Orchestra of France: with violinist Sarah Chang and conductor Charles Dutoit plays Ravel, Lalo and Stravinsky at 8 pm; Jan 19, 24
● Soirée Beethoven: part of the 'Prades aux Champs Elysées' series featuring oboists J. Louis Capezzali and Christian Schmitt at 8.30 pm; Jan 20
● Soirée Mozart: part of the 'Prades aux Champs Elysées' featuring violinist Raphael Oleg at 8.30 pm; Jan 21

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Chamber Orchestra: 10th anniversary gala concert with the Washington Bach Consort. Piotr Gajewski conducts at 8.30 pm; Jan 25
● Washington Chamber Symphony: Stephen Simon conducts Bach and Haydn at 7.30 pm; Jan 20, 21
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 19, 21, 25
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 20, 23 (7 pm), 26

WORLD SERVICE
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Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Strange cult of the central banker

BOOK REVIEW

THE CENTRAL BANKS
By Marjorie Deane and Robert Pringle
Hamish Hamilton, £25, 369 pages

Popularity is not something to which central bankers naturally aspire. Nor should they, since their chief task, the maintenance of price stability, requires them to apply deflationary remedies just when an economy is showing momentum. In the memorable quip of the US Federal Reserve's longest serving chairman, William McChesney Martin, they are required "to take away the punch bowl just when the party is getting going".

Yet as Paul Volcker, one of Martin's most revered successors, remarks in his foreword to this new book on the subject, central banking is at a pinnacle of influence and respect. Authors Marjorie Deane and Robert Pringle, both seasoned observers of central bank behaviour, refer to it as a "cult". What has brought about this enhancement of the central bankers' reputation? And why are so many central banks being granted a greater degree of independence from government?

The nadir was in the 1930s, when central bankers were blamed for the Depression. Politicians thereafter laid claim to a greater role in monetary management to prevent unemployment. The turn of the tide came in 1971-73, when the Bretton Woods fixed exchange rate system broke down largely because of the US reluctance to pay for the Vietnam war with higher taxation.

As inflation accelerated and the supposed long-term trade-off between inflation and employment ceased to hold, the theoretical underpinning of Keynesian demand management came under attack. By the end of the 1970s, the chief objective of monetary policy was again perceived to be the achievement of price stability; and while technical arguments about the means to that end have since waxed and waned, the consensus among central bankers, if not among academic economists, is that monetary policy influences inflation rather than real output.

In the aftermath of so much inflationary excess, Keynes's high-minded view of interventionist politicians and civil servants as rational, disinterested Platonic guardians looked anachronistic. In the 1970s, economists identified a political business cycle and called for constitutional constraints on politicians who acted as rational maximisers of their own personal utility – of votes, in a word. In addition, ageing populations in the developed world were ready for policy that favoured the interests of creditors with net financial assets over debtors. Even left-wing politicians came to see advantage in central bank independence as a means of overcoming electoral suspicion about their intentions.

The paradox of the central bankers' new found status, as Deane and Pringle rightly diagnose, is that it comes just as their power is declining in important respects. The liberalisation of financial markets deprives them of many instruments of control. With free global capital flows, any form of exchange rate management short of full-blown monetary union no longer works, as Mexicans and Europeans know to their cost.

Nor does central banking independence provide insulation against these tidal flows of capital – witness the plight of the Bank of Spain last week in face of a currency and bond market squall. Indeed, independence looks suspiciously like a nostrum whose time has come too late. The political business cycle has latterly been about fiscal excess, rather than pre-electoral monetary laxity. And it is long-term interest rates set in the markets, rather than short rates set by central bankers, that now impose the more potent discipline on weak, over-indebted governments.

The second key objective of central bankers is the stability of the banking system. Here their lender of last resort function, together with the use of deposit insurance, is arguably self-defeating because of moral hazard. Depositors exercise little discipline over imprudent bank management because they know that their return is safe regardless of the risk run by the bank. Meantime, insured deposits increasingly go to finance banks' own trading in esoteric derivative instruments which central bank supervisors find hard to understand and monitor.

The potential costs to the taxpayer of this safety net, say the authors, may have grown to an incalculable extent. Their preferred remedies are the restriction of deposit insurance to less than 100 per cent, more bank bankruptcies and tougher sentences for bank fraudsters. They sympathise, too, with proponents of a two-tier banking system in which insurance is offered only for deposits invested in low-risk assets.

Yet in practice few central banks find it easy to retreat from the "too-big-to-fail" doctrine. If Don Brash of the New Zealand central bank advocates a minimalist role, he does so in the knowledge that most of his big banks are foreign-owned and thus someone else's headache. And if, in practice, the threat posed by a financial crisis is usually less one of disruption to the payments system than of credit withdrawal and debt deflation, central banks might still feel obliged to act as lenders of last resort to the high-risk stratum of a two-tier banking system. That is certainly the view of Professor Charles Goodhart of the London School of Economics Financial Markets Group, formerly of the Bank of England.

Deane and Pringle offer a comprehensive review of the arguments and leading institutions. If there are no great inside revelations about the international and domestic monetary battles of the recent past, the book is not without nuggets for connoisseurs of this slightly *recherché* genre. One such comes from the former central bank governor of the Solomon Islands, who presided over a money supply stashed away largely in milk tins in villages. "The giving of advice to government," he remarked, "can be personally hazardous, a bit like bringing the news of military reverses to the later Roman emperors." Now there's real central banking for you.

John Plender

"I am glad to tell the House that this approach has allowed us to make overall savings even greater than those achieved last year... Not 10, not 15, not 20 but another £24bn of the Control Total over the next three years on top of last year's reductions... That is a reduction over the four years covered by my two Budgets of £43bn."

One US senator to another: "A billion here, a billion there and soon you are talking of real money."

ECONOMIC VIEWPOINT

Those vanishing spending cuts

By Samuel Brittan

The UK Budgets of 1993 and 1994 aimed to reduce public sector borrowing to well below the Maastricht treaty limit of 3 per cent of gross domestic product over the next couple of years and – more speculatively – to turn it into a surplus by the end of the decade. To do so the government has imposed a series of staggered tax increases. These are officially expected to raise the tax-take to a higher proportion of GDP than anything seen since 1981. Any so-called tax cuts before the next election can only make a tiny dent in this increase.

The English followers of former president Ronald Reagan and the new US House Speaker Newton Gingrich would claim that this is a bad distribution of the burden and that there should have been real spending cuts instead. The Labour party on the other hand must surely thoroughly approve of the government's priorities, but cannot say so if it is to appear fiercely opposed to everything now happening.

Mr Kenneth Clarke, the chancellor, however, asserts, with every sign of believing it, that spending cuts have made as large a contribution as tax increases to the improvement of the public finances. This week's Report of the Treasury Committee of the House of Commons provides an opportunity to examine the assertion.

The decision on how much of the national income to spend collectively is a basic political choice. Why then should it be surrounded with so much technical obfuscation which has to be penetrated before the political discussion can even begin? One reason is the frequent shift between talking about year-to-year *changes* – actual or planned – and alterations which simply represent *differences* compared with previous plans for the same year. Governments talk too much about these differences, but year-to-year *changes* are more meaningful as well as a good deal easier to follow.

Another reason is the bewildering variety of definitions of public spending. The widest, which is used internationally, is General Government Expenditure, which means the total spending of all government bodies including local authorities but excluding state industry investment. Another, specifically British, definition is the Control Total which covers about 80 per cent of General Expenditure and excludes items such as debt interest and cyclical social security spending, which varies automatically as unemployment fluctuates over the business cycle.

Public spending has, on any definition, risen a good deal faster than the national income over the whole period since 1989. After allowing for inflation, the real year-to-year increase in the Control Total has varied between 1.2 per cent and 4.7 per cent (the latter was achieved in 1991-92, by some coincidence immediately before the last election). The chancellor expects the Control Total to dip in real terms by ¾ per cent in 1995-96 and then rise by an average of only ¾ per cent in each of the two subsequent years, and thus decline as a proportion of GDP.

Although the government's plans will disappoint people who would like to see net real cuts, they represent very tight control indeed compared with the recent past. One can well believe that it has taken Herculean efforts on the part of successive chief secretaries even to hold the planned increases to these levels, in the face of clamorous complaints about "underfunding" by spending lobbies which if left on their own could easily consume the whole national income several times over.

The big figure of £43bn of "cuts" mentioned by the chancellor refers, of course, not to actual reductions but to differences between spending plans announced in successive Budgets. To pick this apart would be a highly complex exercise doubtfully compatible with sanity. So let me concentrate on the £24bn of savings in the Control Total that Clarke attributes to his last 1994 Budget.

UK public expenditure

Changes in 1994 Budget (£bn)

Cash terms	1995-96	96-97	97-98
Control Total	-6.9	-8.3	-8.9
Cyclical social security measures	-0.4	-0.7	-0.9
Total Budget changes	-7.2	-9.0	-9.8
Real terms (1993-94 prices)			
Control Total	-0.5	-1.6	-2.0
Cyclical social security measures	-0.3	-0.6	-0.8
Total Budget changes	-0.9	-2.3	-2.8

Source: Financial Statement, Nov 1994

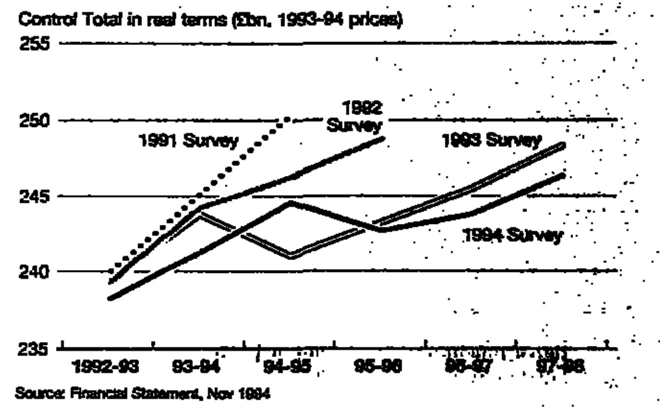
One feature that is slightly naughty about such totals is that they are the result of adding up projected savings over several years. It is not just pedantry that makes economic analysts prefer per annum comparisons. For, by taking enough years at a time, anyone can create vast increases in, say, health service spending or vast decreases in the overall total, depending on the political point.

The year-by-year breakdown of the "cuts" is shown in the table. The same table also gives the cuts in real terms after allowing for the government's own estimates of future inflation. For the three years taken together, the average annual real "cut" amounts to just £1.4bn. This is just over 0.2 per cent of GDP, equivalent to the cost of half a penny off the basic rate and lower rates of income tax. It is moreover suspicious that these real "cuts" are smallest in the 1995-96 financial year and build up as time goes on. It is also suspicious that these modest real cuts in the Control Total compared with previous plans would disappear altogether without some adjustments in the contingency Reserve. (The nature of these adjustments would – as Miss Prism might have said in *The Importance of Being Earnest* – be too sensational for a family paper.)

There is however a much more interesting dispute between the chancellor and the Treasury committee which relates not to future financial years but the present one, 1994-95. If you look at the matter in cash terms, this year's Control Total is estimated to be less than originally planned: in other words, a saving in public spending and a victory for the Treasury. But the saving here is entirely due to inflation turning out lower than expected. In real terms the Control Total is, as the chart shows, estimated to be both higher than previously planned and higher than in the previous year.

Public spending

Control Total in real terms (£bn, 1993-94 prices)



Source: Financial Statement, Nov 1994

The Treasury Committee comes close to arguing that the Control Total should be adjusted downwards in a year when inflation falls below forecast and adjusted upwards when it exceeds forecast. The Treasury replies that it would be extremely disruptive to adjust spending limits in the course of a year in line with changing inflation estimates. It is saying, in effect, that a year of unexpectedly low inflation is good luck for the spending departments. On the other hand in a year of disappointingly high inflation – when many unpopular adjustments will have to be made – the spending departments will have to find extra economies to absorb the cost overrun.

In principle the Treasury's case against adjustments within a single year is a strong one. But even if one accepts it the government's recent spending performance does not look too impressive. The first Public Expenditure Survey which tried to come to grips with the spending upsurge was that of 1993. This showed a substantial rise in real terms in the year when it was made, followed by a drop in the year ahead. The drop failed to materialise. Yet the same hump-backed path is shown by the latest Survey (1994) with the dip postponed by a further year. It therefore requires the eye of faith to make one believe that a government will be able to stick to its very tight – although not Gringrich-like – real plans further ahead.

In public spending, as in much else, governments must plan for a greater degree of success than jaundiced outside observers expect them to achieve. If this government and the one after it can hold the growth of spending below the trend growth of national income most critical observers will breath a sigh of relief – even though it will be more than the chancellor would have us expect.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

CAP reform and enlargement of EU

From Mr Martin Haworth.

Sir, Your article on the implications for the Common Agricultural Policy of a wider European Union concludes by noting that many of the suggestions for reform have been strongly resisted by European farm lobbies ("Steichen sees no need for CAP reform", January 17).

While this may be true of some of the specific suggestions made, it is unfair as a general statement. The National Farmers' Union published a paper last year which set out a series of options which seem very similar to those contained in the most recent paper produced by various European professors.

Last November the European Farm lobby (Copa) jointly issued a long statement on the Accession of Central and Eastern European Countries which, among other things, explicitly recognised that the current CAP may not be an appropriate basis for a policy for a wider Union.

Martin Haworth,
head of international affairs,
National Farmers' Union,
22 Long Acre,
London WC2E 9LY,
UK

From Mr Terry Wynn MEP.

Sir, Your report, "Steichen sees no need for CAP reform", raises two very serious questions. First, there is absolutely no point in the European Commission spending time and money on academic reports if Commission officials are then quoted as saying they will go straight into the bin. This is a totally unacceptable use of the European Union's budget.

Second, it is clear to everyone except the Commission that the CAP will not survive a further enlargement of the European Union without more reform. Despite what the Commission says, there is not enough money in the budget.

It is not a case of "political naivety": academics are not asked to provide political solutions, but economic analysis. It is a case of complete lack of political will, both in DG VI (the farm division of the Commission) and in the Farm Council of Ministers.

CAP spending will not be "controllable and fixed" unless and until we reduce prices further and decouple compensation payments completely from production. The Commission cannot continue to ignore the evidence.

Terry Wynn,
chairman,
Land Use and Food Policy Inter-group,
European Parliament,
Strasbourg,
France

AWA shareholder interests

From Mr George Loudon, Sir Charles Powell and Mr Ian Tegner.

Sir, For a tactical change in our Paris listing, aimed at encouraging more private investors in a company whose French activities are significantly greater than those in the UK, to be put forward by your correspondent (Lex: "Arjo Wiggins Appleton", January 17) as "creeping French control" is disingenuous.

Further, then to use this conclusion to criticise the composition of the board, its dividend policy and its acquisition policy, moves on from the disingenuous to the mischievous.

As three independent non-executive directors of our company, we are confident that we have proper procedures in place to take into account fully the interests of all shareholders – including St Louis.

George Loudon,
Charles Powell,
Ian Tegner,
Arjo Wiggins Appleton,
25 St James's Street,
London SW1A 1HA, UK

Society's ethical choices

From Mr John Hartley.

Sir, While appreciating Michael Prowse's attempt to address an important issue in his article, "Adam Smith and the virtues of capitalism" (January 16), I belive that, when he argues on moral grounds for a regime in which no special privileges should be extended to any group or individual, he fails to make an important distinction.

The basis for the ethical choices available to a society in which all members have equal access to resources is very different from that obtaining in a world such as ours where inequality, injustice and the unfair distribution of resources are the norm. To use a metaphor drawn from Adam Smith's time, the values which Mr Prowse appears to espouse in his article would allow him to judge as fair a duel in which only one of the participants was armed.

I am also intrigued when Mr Prowse argues that "man has a right to work where he wants". Does this mean that he is in favour of allowing labour to have as clear an access to capital as capital has had to labour; in other words, a free market for labour as well as for capital? Would he then wish to see the repeal or abolition of all immigration laws? On this at least we might agree.

John Hartley,
Nishihara Heim 3B,
Nishihara, 1-45-2,
Shibuya,
Tokyo, Japan

Hard evidence elusive on climate change forecasts

From Mr John Shlaes.

Sir, Nancy Dunne's article, "Insurers in a storm" (November 2), describes new attempts by environmental activists to attribute incidents of extreme, destructive weather in the past several years to human-induced global warming. Specifically, she notes that the green lobby is trying to draw the powerful insurance industry, which has paid out millions in the wake of these natural disasters, into their fight for more government environmental regulations.

In fact, the supposed causal connection between alleged greenhouse warming and recent weather-related disasters does not stand up to scrutiny.

Implicit in the claims of environmentalists is that recent hurricanes, floods and other severe weather events have been unique in their frequency and intensity. In reality, they have not been. The US has documented similar periods of harsh weather in the past, most notably in the 1930s and the early 1950s – a time when atmospheric levels of greenhouse gases were significantly lower than today.

Furthermore, it must be noted that the scientific community continues to debate the validity of the theory that greenhouse gas emissions will lead to significant climate change. Hard evidence supporting forecasts of climate change eludes researchers, whose theories are based only on the predictions of computer models that are widely acknowledged as flawed. In short, the fundamental premise of environmentalists' claims is flimsy, at best.

Climate experts are sceptical of claims that weather in past years is the sign of a changing climate. According to Dr John Houghton, co-chair of the United Nations body charged with reviewing climate change science, "The range of normal natural climate variation is large. Climate extremes are nothing new. Climate records are continually being broken... Changes in climate which indicate a genuine long-term trend can only be identified after many years".

In addition, the World Meteorological Organisation has warned against drawing unfounded conclusions linking climate change to specific weather events.

Finally, environmentalists' use of the high damage costs to suggest increased severity of storms is disingenuous. They do not mention that more people are building more expensive developments on land previously undeveloped due to its vulnerable location.

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FINANCIAL TIMES

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Thursday January 19 1995

Who are you, Mr Balladur?

Yesterday, Mr Edouard Balladur officially declared that he is a candidate in the French presidential election. Opinion polls give him such a commanding lead that most commentators are already treating his election as a certainty. That is always unwise. A surge by Mr Jacques Chirac cannot be ruled out; a late decision to run by Mr Raymond Barre could cut deep into Mr Balladur's support. But so long as he remains the favourite, the most creative use that can be made of the campaign is to try to obtain from candidate Balladur a clearer picture of the direction in which President Balladur would lead France.

Mr Balladur has talked of continuing with the cautious, consensus-building approach of the past two years. For all that, there are two issues on which both France and its partners will want clearer answers than can be readily inferred from the French prime minister's record: the management of the French economy and, closely related to that, the shape France wishes to give to the European Union, in co-operation with its partners, above all a powerful united Germany.

Over the past three years the French have paid a high price, in slow growth and unemployment, for holding the parity between the franc and the D-Mark. Its leaders, including Mr Balladur, are convinced that their success in weathering the recession without devaluing the franc has vindicated them. But the cost of doing so has also confirmed them in their desire to achieve full economic and monetary union (Emu) – though Mr Balladur himself, in opposition at that time, brought himself to support the Maastricht treaty only with well publicised reluctance.

Fiscal measures

According to recent forecasts from the Organisation for Economic Co-operation and Development, the fiscal deficit will remain one percentage point above the Maastricht target of 3 per cent in 1996. As Mr Jean-Claude Trichet, governor of the independent Bank of France has remarked, it would be unimaginable for France not to meet this test. To be confident of doing so, the government will have to take fiscal measures amounting to perhaps 2 percentage points of GDP. Given the already high tax burden, such measures need to fall on spending. To do so will require Mr Balladur to confront interest groups head on, in a manner that has certainly not been his style hitherto. How, if at all, does he intend to do this?

High unemployment

In 1991, when the two economies were at roughly comparable points in the economic cycle, the proportion of the French workforce employed was only 60.2 per cent, as against 71.5 per cent in the UK. Rightly, Mr Balladur recognises that the top economic priority is to create jobs, so lowering the disastrously high rate of unemployment, now 12.6 per cent. If elected, Mr Balladur would have to promote job creation more energetically than hitherto. Some cautious measures have been taken to lower the cost of hiring unskilled workers. What else does he plan?

Emu is the heart of France's domestic and its European policy. But these plans also raise the question of how far Mr Balladur is prepared to go to meet German demands for a federal political union. In an article in Le Monde of November 30 he appeared to reject this demand, coming closer to the UK government's view, also that of General de Gaulle, that Europe should be a union of freely co-operating sovereign states. How will this apparent determination to separate monetary from political union be received in Bonn?

Mr Balladur favours closer co-operation with Britain on defence, while pushing ahead with Franco-German initiatives, such as the Eurocorps. He is also keen to bring defence within the EU structure, perhaps as a "fourth pillar" alongside the existing ones of the economic community, the common foreign and security policy, and co-operation on justice and home affairs. Clearly defence, like the two latter, would be an intergovernmental rather than a supranational affair. But how precisely would it be structured? How would it relate to Nato?

Those are just some of the questions President Balladur would have to answer in the first year or so of his term. It would be good to hear at least some preliminary answers from candidate Balladur.

UK's warning on inflation

British monetary policy can, according to Mr Eddie George, governor of the Bank of England, "be described as a stitch in time to save nine". The question raised by yesterday's figures on retail prices in December, which jumped more than expected, and on unemployment in the month to December 8, which fell more than for almost six years, is whether the time has come for another stitch. The latest news may not have made an immediate rise in interest rates essential, or even desirable. But it has certainly brought that day closer.

In Monday's speech to the Chartered Institute of Bankers, presumably made in full awareness of yesterday's figures, the governor said he could not "in all honesty tell you whether or when policy will need to be tightened further". This seems obvious. Even if he did know, he would not tell the world. But the statement was presumably designed to assuage alarm, as was the argument that the measured actions already taken did not indicate any intention to push interest rates to past levels, but were done "precisely in order to avoid having to jerk up interest rates later".

This is comforting. But another half a percentage point, or even more, would hardly be ruled out by this careful statement, particularly when the base rate of interest, at 6¼ per cent, remains very low by historical standards. The decisive factor, as Mr George made clear, will be prospective inflation, on which yesterday's news was indeed disturbing.

Forecasts exceeded

The retail price index, less mortgage interest, rose half a percentage point between November and December and 2.5 per cent over the year. In the year to the fourth quarter of 1994 it rose 2.2 per cent, which is more than the 2 per cent forecast by the Treasury at the time of the Budget in late November. The year on year rate in December was also higher than that forecast by the Bank of England in its inflation report for November, though not, interestingly, in August. At least the Bank's economists can no longer be accused of being consistently over-pessimistic.

In November the Bank expected inflation in 1995 to rise above the level reached at the end of 1994. The question is whether the December figure merely brings that increase forward or provides a higher base for the same upward trend. Nobody knows as yet, but the jump was only partly explained by increases in excise duties and vehicle licence fees. At the very least, the price increases suggest that pre-Christmas discounting was smaller than a year before. Meanwhile, prices of inputs into manufacturing industry showed a rise of 8.3 per cent in the year to December. Since output prices rose only 2.6 per cent, the increased cost of raw materials has not yet been passed on. The fear is that it will be.

Buoyant economy

The unemployment data reinforce the view that the economy has been buoyant. Seasonally adjusted unemployment declined by 55,000 in the latest month, pushing the unemployment rate down to 8.6 per cent. In addition, the September figures for the workforce in employment show a jump of 140,000 over the quarter, the first rise in this series since mid-1993. The somewhat different labour force survey gives an increase of 115,000 between summer and autumn. The underlying increase in average earnings did remain at 3¾ per cent, but this is always a lagging indicator.

Interest rate decisions have to be taken against the background of the UK's still limited credibility. The inflation implied by the gap between conventional and index-linked gilts is 4¾ per cent, well above the announced target of 1-2½ per cent for the second half of this parliament. Monetary policy in the UK is also less credible than in France, though the gap in yields on 10-year bonds has fallen to about half a percentage point. Since the trust of investors has not yet been won, policy has to err on the side of caution.

The latest news does not mean that another immediate increase in interest rates has to be made now, particularly since the last increase, of half a percentage point, was made only in December. But the data of the next month or so will have to be watched very closely. Much more news like this and another interest-rate stitch will become not just desirable, but essential.

Competition down the line

Alan Cane explains how Europe's telecoms operators are forming new alliances in preparation for open markets

Europe's state-owned telecommunications operators are preparing to face competition for the first time across every sector of their business. For more than a century, legislation has ensured the continent's telecoms companies retained national monopolies in both infrastructure and services. That protection will be swept away within three years.

Following decisions in 1993 and late 1994 by European Union governments to open their telecommunications markets and improve the performance of companies in the sector, European telecoms operators will be confronted with new challenges, often from aggressive foreign competitors. Some may not survive, at least as independent organisations.

The benefits for Europe's business and residential customers, however, should include lower prices and a broader range of services from a greater choice of suppliers.

For most of the 20th century, the provision of telecommunications has been considered both a natural monopoly and the responsibility of the state. This attitude has now largely been abandoned by politicians and the operators themselves.

One of the first responses to the prospect of increased competition has been the formation of four strategic alliances involving the largest telecoms groups:

● British Telecommunications (BT, the largest British operator which was privatised a decade ago) and MCI, the second largest US long-distance company, have a joint venture called "Concert".

● Deutsche Telekom and France Telecom, the German and French state monopolies, have linked with Sprint, the third-largest US long-distance operator, in "Atlas".

● The Swedish, Dutch, Swiss and Italian telecoms operators are involved in "Unisource".

● AT&T, the largest US long-distance operator which had its monopoly broken up 10 years ago, has loose links with a number of operators in a venture called "WorldPartners".

The nominal aim of these alliances is to win business from large multinational customers. But as the Cambridge-based consultancy Analysys points out in a new study*: "Their founders know that this is only the first move in the battle for control over the global telecoms services markets of the future which will be accompanied by radical restructuring of the industry."

According to the Organisation for Economic Co-operation and Development, the telecoms business already generates more profits than any other European industrial sector. Mr Laurence Heyworth, telecoms analyst with Robert Fleming Securities in London, calculates that the six major European telecoms operators (excluding Deutsche Telekom's east German activities) will this year generate cash surpluses – after capital expenditure, interest and dividends – of more than $4bn, or about $30 per exchange line.

But Europe's politicians are afraid that Europe will be left struggling in the slow lane of the information superhighway – the provision of advanced interactive telecommunications to office and home – if competition is not introduced to spur innovation and investment.

Last year a group chaired by Mr Martin Bangemann, the EU industry commissioner, produced a report which argued that the information highway was critical to Europe's future and that liberalisation of the telecoms market was an essential in building it.

The example of the liberalised UK market and the profits growth enjoyed by the privatised BT have encouraged the belief that a taste of competition will benefit other European telecoms companies.

The bigger companies such as Deutsche Telekom and France Telecom, which only a few years ago vociferously opposed any threats to their monopolies, now claim to look forward with equanimity to a more competitive regime.

However, underlying the big operators' new enthusiasm for liberalisation is a gloomy awareness that they will not all benefit from liberalisation, and that vigorous competition will put heavy pressure on today's generous trading margins.

Much of what is happening in telecoms today is preparation for that inevitable squeeze on profits. The big operators are seeking to protect their home markets while finding ways into new markets – chiefly through their alliances. They are also hoping to stimulate demand for new services to offset declines in revenues from traditional telephony.

The rewards for the companies that succeed will be big. The industry is generating cash on an unprecedented scale and there is every sign that will continue for some years. There is, for example, sound growth in the number of telephone lines installed. Staff numbers and capital expenditure have been reduced and the cost growth is slowing. New technology means that the cost of capacity is falling faster than prices.

In a recent article, however, Mr Tim Kelly of the International Telecommunication Union's strategic planning unit, warns: "In 15 years, the industry will be dominantly privately owned, competition will be permitted in most leading countries in both services and infrastructure and the windfall profits that characterised the industry in the late 1980s and early 1990s will be a fond memory."

The cost of telecommunications services in Europe is significantly more – sometimes as much as 10 times more – than equivalent services in the US and this is proving a burden on Europe's competitiveness. Last year Mr Eric Benhamou, chairman of 3Com, one of the fastest growing US telecoms hardware companies, warned Europe it had to match or undercut US prices immediately: piecemeal price-cutting meant risking "death by a thousand cuts".

Profits will be squeezed by increased competition, especially for long-distance business, which will trigger a price war; the decline in the cost of calls on the transatlantic route is one indicator.

The ready availability and falling cost of new technologies have also made it easier for new players to enter the market in competition with established operators.

And the growth of new services is proceeding more slowly than expected, while some of these services, such as mobile telephony, are replacing rather than complementing traditional services. Electronic mail running on the Internet global computer network is beginning to substitute for fax, for example.

Some 40 of Europe's largest multinational companies have already started to take matters into their own hands by collaborating in an arrangement that would bypass their national operators. Increasingly irritated by the high cost of Europe's telecoms and inadequate service, they have turned to BT and an alliance of AT&T of the US and the Swiss, Swedish and Dutch telecoms operators to provide them with comprehensive cross-border services in Europe.

The group – the European Virtual Private Network Users Association – includes Rank Xerox and ICL and is chaired by Mr John Sale (responsible for telecoms at Rank Xerox but now employed by EDS of the US, which manages Xerox telecoms activities). Other members, including banks and industrial groups, are shy of revealing their membership because of fears of falling foul of anti-cartel legislation.

Such companies' bills contribute the lion's share of telecoms profits, but they complain their needs are largely ignored by the operators. The deals, which should be signed on March 1, will give the companies tariff reductions and access to advanced services.

Mr Sale says pan-European companies have found it impossible to persuade individual telecoms operators to cater to their needs: "They never ask us what we want and they never deliver what we want," he complains.

He believes the agreements with BT and the AT&T alliance will provide three benefits for members:

● Management of trans-border networks linking the various offices of each multinational, one of the biggest technical headaches for large companies.

● Access to advanced services not easily available from today's monopolists: "Many of us are keen to have audioconferencing on demand, calling cards, common numbering and short code dialling," Mr Sale says.

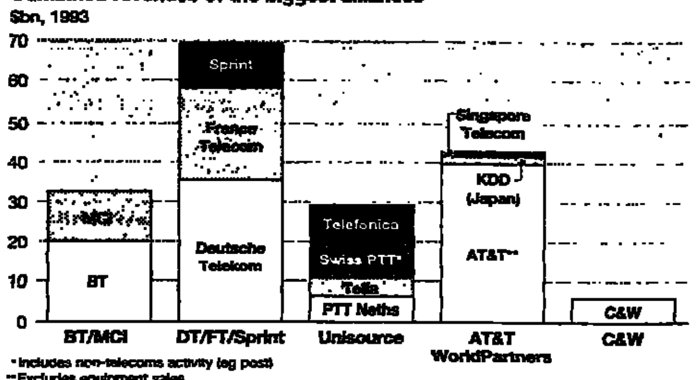
● Cost savings that will be at least 20 per cent and could be as much as 40 per cent of today's rates.

Strategic alliances allow national telecoms companies to adapt to such demands from large customers, in addition to offering ways into new geographical markets and sharing the risk and cost of developing new products and services.

Alliances are, however, a gamble. Mr Michael Denmead, one of the authors of the Analysys study, points out there is a balance to be struck between moving early into a partnership to seize competitive advantage and making the most of the remaining monopoly period to build up profits and reserves, pay off debt and restructure their operations for the 21st century.

European telecoms: forming alliances

Combined revenues of the biggest alliances
$bn, 1993



*Includes non-telecoms activity (eg post)
**Excludes equipment sales

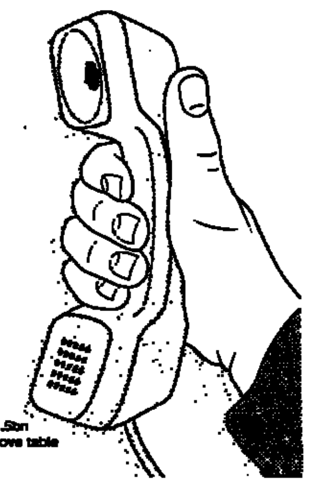
Telecommunications market by country (m ECU)

	1991	1992	1993	1994	1995	Annual market growth (%) 1991-3	1993-5
France	19,317	20,545	21,859	23,339	24,728	6.4	6.4
Germany	29,802	33,639	36,335	39,275	42,621	10.4	8.3
Italy	15,380	16,556	17,715	18,950	20,230	7.3	6.9
Netherlands	5,385	5,696	6,047	6,421	6,827	6.0	6.2
Spain	9,268	9,415	9,825	10,411	11,006	3.0	5.8
Sweden	5,374	5,648	5,867	6,095	6,388	4.5	4.3
Switzerland	5,495	5,767	6,052	6,348	6,638	4.9	4.7
UK	19,910	20,311	20,932	21,631	22,299	2.5	3.2

Ranking by number of main lines

Rank	Company	Country	Lines (m)
1	NTT	Japan	57.3
2	Deutsche Telekom	Germany	35.4
3	France Telecom	France	30.1
4	BT	UK	26.1
5	Telecom Italia	Italy	23.7
6	BellSouth	US	18.7
7	Bell Atlantic	US	18.2
8	Ameritech	US	17.0
9	GTE	US	16.8
10	NYNEX	US	15.7
11	Korea Telecom	Korea	15.6
12	Pacific Telesis	US	14.6
13	Telefonica	Spain	13.8
14	US West	US	13.3
15	Southwestern Bell	US	12.8

AT&T, MCI, Sprint and KDD all have revenues in excess of $1.5bn but do not have lines and are therefore not included in the above table
Sources: Analysys; Flemings Research; BTO



**Strategic Alliances between Telecoms Operators, Analysys Publications St Giles Court, 24 Castle Street, Cambridge UK. £695*

The European Commission, seeking to open markets and concerned that Europe is slipping in the global telecoms stakes, has been a catalyst for change.

Late last year, European Union industry ministers, taking their cue from the Commission, agreed that telecommunications infrastructure – physical networks including trunk routing, exchanges and the "local loop" between the exchange and the home or office – would be opened to competition by January 1, 1998. This follows the decision in 1993 to allow competition in services by the same date. (Ireland, Greece and Portugal, whose networks were considered insufficiently developed, were granted an extra five years of protection.)

Diversity of approaches

The state of play in Europe's principal markets reveals a diversity of approaches:

● Germany: the largest telecoms market in Europe, it is dominated by monopoly operator Deutsche Telekom, which is set for privatisation by way of a capital increase in early 1996. Deutsche Telekom is pursuing a global strategy through an alliance with France Telecom and Sprint of the US. It is investing in the various national markets of central and eastern Europe.

German utilities and other companies are seeking partnerships with foreign telecoms operators – Viag, the electricity utility, has one with British Telecom – in anticipation of liberalisation before 1998.

● France: France Telecom controls a monopoly market. It is not on the French government's list of companies to be privatised, but a change in its legal status giving it ownership of its own shares is under discussion. It is pursuing a global strategy through the alliance with Deutsche Telekom and Sprint and focusing on national markets in Mexico and Argentina.

Liberalisation may occur before the 1998 deadline, especially if the US authorities make it a condition of sanctioning the Sprint alliance.

● UK: British Telecom has been privatised for 10 years and now operates in Europe's most liberal market, facing competition from more than 40 licensed operators. It also suffers the most complex regulatory regime. It is pursuing a global strategy through Concert, a network services joint venture with MCI of the US. Improved efficiency and strategic thinking put it among the most advanced operators.

● Italy: Perhaps the least advanced of Europe's operators, Telecom Italia was formed last year through the merger of five Italian operating companies. Listed on the Milan bourse, it provides domestic and international services and has a monopoly. It says it favours liberalisation, but in a "controlled manner". It is developing business in Greece and Argentina.

Italy has more expensive tariffs than other main European economies. Liberalisation before 1998 is unlikely.

● Spain: Telefónica is listed but run by the state, which has a 32 per cent holding. In global markets it is a member of Unisource, a joint venture including the Dutch, Swedish and Swiss telecoms operators that is itself allied with AT&T of the US. It is pursuing a successful expansion in South America where it is the largest foreign operator.

The Spanish government had secured a five-year extension to the EU deadline, but Telefónica has now decided to meet it.

OBSERVER

Armageddon, sometime

■ The Grim Reaper has knocked on the door of The Armageddon Letter, a doom-laden sheet edited by Julian Snyder in Switzerland. Its January issue is to be its last.

Obsessed with disaster to the very end, Snyder has reviewed his standing predictions. He has already scored with his forecast of a bear market in bonds. There remain the following, albeit with no dates attached: a collapse of the world's currency system; another stock market crash; a surge in US defence spending and the federal deficit; a commodities boom; massive inflation and a stampede into gold and silver; and world war III.

But although the Four Horsemen of the Apocalypse fittingly gallop across the front page of his final issue, this is not quite the end of the world for Snyder. He will be able to gloat over the promised catastrophes through an Armageddon column in the rival newsletter published by the veteran Harry Schultz, who has welcomed him to his "survival encampment".

Spine-tingling

■ Coincidence or divine intervention? On the day Japan's Kansai region was hit by an earthquake, 200 delegates were sitting in Osaka, attending the fourth Japan-US workshop on urban earthquake hazards reduction.

The conference – subtitled "how to prepare for the coming big quake" – was held in Osaka, near the epicentre of the quake, because its organisers felt that despite the possibility of a large earthquake in the region, local awareness of the risks was deplorably low. No-one needs *quite* such practical experience, though.

Pick and choose

■ The perils of being a stockpicker. Dan Dorfman, the US's foremost tipster, has long enjoyed a dedicated following for his spicy mix of analysis and innuendo, based in equal measure on interviews with leading businessmen and stock market rumour.

Just look at the reaction to some of his tips in the past week alone. Shares in Caremark, a leading healthcare company, dropped 4 per cent on a bearish comment. Quaker Oats jumped 11 per cent on a suggestion that Coca-Cola was preparing a hostile bid – it had risen 5 per cent back in October on a Dorfman tip that PepsiCo was planning a bid. Timberland, a trendy maker of outdoor clothing, also jumped more than 10 per cent on a takeover tip.

Some companies, it seems, have had enough. Coca-Cola says it doesn't comment on rumours like these, but added: "We would like to elaborate on our statement and observe that Dan Dorfman does not have a clue".

Earlier this week, another company that had been 'Dorfmaned' – Incomnet, a small telecommunications company – called a report that it was under investigation by the Securities and Exchange Commission "unconscionable"; though yesterday Dorfman stuck to his guns.

Dorfman will not be too worried. As any media-conscious being knows, all of this will simply serve to feed his reputation.

Name that agency

■ Now that it's official, and Saatchi & Saatchi plc – the holding company for both the Saatchi advertising agencies and others – is going to change its name, Observer readers are invited to submit their own suggestions. The best ten will be published; the best of the lot will receive the usual bottle of malt whisky. Even Maurice and Charles Saatchi can enter, if they choose. Letters to the FT or faxes (+44 171-873 3926) only please.

New tenants

■ Haiti's military leaders are having their noses rubbed in it. The new government is throwing the army out of the very ornate, yellow building across the road from the National palace, from where it used to run the country.

Even worse for the machismo military, the new occupants will not be the re-fashioned police – which will become the main security force – but the new ministry of women's affairs. The military is being slashed from a force of 7,500 to 1,500 and must now find itself an HQ elsewhere.

The building needs extensive refurbishing before minister Lyse-Marie Dejean moves in, though new paint and furniture may not be enough; traditionally superstitious Haitians fear its new occupants will be haunted by those tortured and killed there in the past three years.

Who's really who?

■ All change at the house of cards known as the Italian government. So fast are the doors revolving these days that security guards outside the office of prime minister Lamberto Dini yesterday had to resort to using newspaper clippings to spot his ministers, arriving for an inaugural cabinet meeting.

Dini has the only well-known face in the cabinet. His "government of experts" – all first-time ministers – have been selected for their powers to steer Italy through its current political crisis. Either that or because they are so unknown that – when they too pack it all in – they will avoid the ensuing uncomfortable glare of publicity.

The Financial Times

100 years ago

French President elected
The election of M. Félix Faure to the Presidency of the French Republic removes all cause for immediate uneasiness. M Faure is a Republican, but a Republican of a more moderate cast than his most dangerous opponent, M. Brisson.

M. Faure is an honest, capable businessman, whose past history will afford the scurrilous newspaper scribes of Paris very little to hang their slanders upon.

50 years ago

Miners want nationalisation
The executive of the new National Union of Mineworkers yesterday announced that if the coalowners put forward proposals as an alternative to nationalisation of the mines, the union will give a detailed reply. The union is still definitely committed to the policy of nationalisation and will back it up to the hilt.

New York exchange
A New York stock exchange seat has been sold for $61,000, a decrease of $4,000 from the previous price paid on 3rd December last – Reuter.

FINANCIAL TIMES
Thursday January 19 1995

Chances of higher interest rates increased as unemployment falls

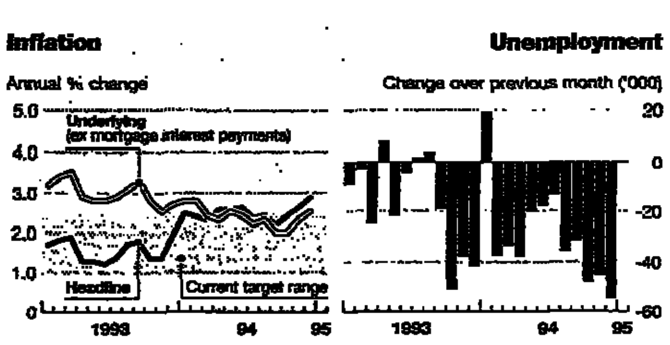
Unexpected rise in UK inflation

By Robert Chote and Gillian Tett in London

UK government ministers yesterday played down fears that another sharp rise in interest rates was needed to stop Britain's economy overheating, as official figures showed a big jump in inflation and one of the largest falls in unemployment on record.

The underlying rate of inflation unexpectedly rose in December to the top of the government's target range for the end of this parliament. But Mr Kenneth Clarke, the chancellor of the exchequer, said this was "no problem". He said he had already taken action to subdue inflationary pressures by raising rates twice last year.

City economists still expect another rise early this year from the current rate of 6.25 per cent, but the pressure may be relieved by yesterday's announcement that the Halifax Building Society is to raise mortgage rates. With other mortgage lenders expected to follow suit, this should subdue spending, and hence inflationary pressures. The size of the Halifax increase will be announced today. The retail prices index rose by 2.9 per cent in the year to December, according to the Central Statistical Office. This followed an increase of 2.6 per cent in November.



Source: Datastream

The government's target measure of underlying inflation – which excludes mortgage interest payments – rose to a 10 month high of 2.5 per cent in December. Mr Clarke has pledged to keep underlying inflation between 1 and 2.5 per cent until the end of this parliament.

Tax increases in November's Budget accounted for almost half last month's rise in the index. However, prices in many high street sectors were also edging up after heavy discounting and price wars earlier this year.

Analysts were unsure how far retailers would be able to make increases stick in the face of consumer caution. They warned that inflation was likely to rise again next month, in part because of other Budget measures.

"The disinflationary pressure on the high street would seem to have ended," said Mr Andrew Cates, UK economist at UBS. "An increase in base rates in the first quarter of this year seems highly likely."

Some analysts also feared that last month's big fall in unemployment heralded inflationary pressure. The number of people without work and claiming benefit fell by 54,600 in December, after adjusting for seasonal effects.

This was the biggest monthly fall in nearly six years and only the seventh largest since comparable records began 24 years ago. The unemployment total now stands at 2,413,500, the lowest since the middle of 1991, and nearly 560,000 down from its peak two years ago.

Exports lead recovery, Page 7; Samuel Brittan, Page 10; Editorial Comment, Page 11; Lex, Page 12; Currencies, Page 20; London stocks, Page 26

THE LEX COLUMN

Volvo on a roll

Volvo's exposure to Scandinavia, North America and the UK meant it was the first large European automotive manufacturer to pitch into recession. Now, a combination of circumstances is working decidely in the company's favour.

One obvious factor is that Volvo's main markets are in the throes of recovery, as shown by the 16 per cent increase in the number of cars sold last year. The company is also enjoying the effects of a sharply depreciated krona, while aggressive rationalisation has brought costs lower than at the nadir of the automotive cycle. Yesterday's decision to increase production capacity for cars and trucks should be seen against this improving background. It is an expression of the group's confidence and should contribute to the sharp recovery in sales and profits now under way. The emphasis of the joint venture with the UK's TWR will be on sporty convertibles. Although this is an extension of the group's strategy of aiming at younger drivers, it does in the long term carry the danger of more direct competition with Mercedes and BMW.

Volvo's shares rose only modestly yesterday: investors would have preferred concrete developments on the long-awaited sell-off of the group's non-automotive businesses, especially its branded consumer products division. But the shares look cheap on a multiple of some six times expected peak earnings, a rating which does not take account of the SKr40bn in cash which the group should soon be able to raise from disposals.

FT-SE Eurotrack 200: 1382.2 (-3.3)

Source: FT Graphite

Italy

The only certainty facing Italian financial markets is uncertain politics. The markets welcomed the appointment of Mr Lamberto Dini as prime minister. After all, he had all the characteristics of being the right man for the top job; namely, basic similarities to the market's former favourite, Mr Carlo Azeglio Ciampi. In addition, his four-point agenda has struck at the issues most important to the financial markets, hence the market surge on Monday. But his length of tenure remains subject to considerable speculation.

There are two hurdles to clear before Mr Dini can achieve anything. He has to survive the immediate opposition of Mr Silvio Berlusconi, without committing the country to an early election. And he then needs the political skills to secure enough time to address just the first leg of his political platform, namely the growing budget deficit. Failure to achieve this could spark an interest rate rise, and postpone the vital mini-budget to plug the government's finances.

Nonetheless, the stock market remains attractive. Corporate earnings growth should exceed 40 per cent this year, and 20 per cent in the next. The collapse of the Lira has come at a time of limited inflationary pressure, and will boost exports. And the Lira looks undervalued on the basis of purchasing power parities. There are a lot of foreign investors waiting to come into the markets on the signal of diminishing political risk. But in the current circumstances, they would be wise to wait.

Pharmaceuticals

The operating environment for drugs companies, which deteriorated rapidly after 1991, may finally be improving. Political pressure is abating, reducing pressure on prices; regulatory approvals are being granted more quickly and patent protection has been increased, extending drugs' life-cycles; and scientific progress continues to accelerate, promising safer and more effective medicines. The sector is also benefiting from stronger-than-expected US sales growth, and increased efforts by the companies to control costs. The lightening gloom is reflected by the US drugs sector's 20 per cent outperformance since August.

Those hoping for the recovery to continue are likely to be disappointed. Most stocks are fully valued against the market. But a few, such as Pfizer and Roche of Switzerland, may yet outperform. Both groups reported double-digit underlying full-year sales growth yesterday, thanks to a strong portfolio of existing drugs. They are also attacking costs: Pfizer added 1.5 percentage points to its operating margins. Meanwhile, Roche has surprised by cutting research and development staff at its Basle headquarters after the purchase of Syntex. Observers expected job losses to be confined to its US acquisition.

The combination of strong sales growth and cost-containment should generate an expansion in earnings well above industry averages. The long-term prospects for Roche and Pfizer are not reflected in their current prices.

UK economy

The trough in UK inflation during the current economic cycle has probably been reached if not passed. Retail price inflation excluding mortgage payments in the year to December was 2.5 per cent – up from November's 2.3 per cent and October's 2.0 per cent. December's figures were skewed by the effect of higher excise duties announced in last year's Budget. But they were still higher than expected. Meanwhile, the unexpectedly sharp fall in unemployment brings nearer the time when a tighter labour market will provoke larger increases in earnings.

So far earnings growth – at 3% per cent in the year to November – remains subdued. Moreover, because of strong productivity increases at this stage of the cycle, unit labour costs are still going down. But as capacity becomes more fully utilised, productivity will grow less quickly. Most companies were able to absorb last year's increases in producer prices without adding to retail price inflation. But, once unit labour costs are also rising, companies will find it harder to take the strain of increasing costs without putting up prices.

None of this means the sharp inflationary rises seen in previous cycles are likely. With the unemployment rate at 8.6 per cent, there should still be some slack in the economy. Moreover, the Bank of England still seems determined to nip inflationary pressures in the bud through timely increases in interest rates, even though it looks unlikely that it will be able to keep core inflation at below its 2.5 per cent target.

Additional Lex Comment, Page 17

Volvo to expand in Europe

Continued from Page 1

a number of small-volume models such as convertibles to expand its car range later in the 1990s.

- planning to invest SKr1.7bn to build a new paint shop and to modernise its existing paint facility at its car assembly plant at Ghent, Belgium. Further investment will increase capacity at the Belgian plant from 150,000 to 200,000 cars a year.

Mr Sören Gyll, Volvo chief executive, said that Volvo was "further strengthening its focus on automotive operations".

Volvo, which increased its truck deliveries worldwide by 33.5 per cent to a record 68,500 last year, is expanding capacity in Europe and expects to add 700 jobs at its European truck plants by 1997.

More than SKr1.2bn will be invested in Sweden to raise production capacity for truck cabs, engines, transmissions and axles. At the same time it is investing SKr312m to increase final assembly capacity at plants in Sweden, Belgium, the UK and Poland.

Volvo said it would take a 49 per cent stake in the venture with TWR, which would produce specialist cars in small series, initially coupé and convertible versions of its 850 saloon and estate car range. The venture, which will have a share capital of around SKr100m with TWR holding 51 per cent, will be located in Sweden at Volvo's former Uddevalla car assembly plant. Volvo said that the new operation would be a complete car production facility with body welding, paint and final assembly plants. The new company would invest more than SKr200m in production equipment, while Volvo would invest around SKr1.5bn.

PepsiCo's new campaign to knock rival Coca-Cola

By Roderick Oram, Consumer Industries Editor, in London

PepsiCo is launching a multimillion dollar attempt to break Coca-Cola's dominance of international cola markets. A series of television commercials taking a humorous swipe at its rival will start being screened in 30 countries in 10 days' time.

The advertisements will test the laws of comparative advertising in some countries, including the UK where attempts to knock competitors' products have been blocked by stringent legislation.

They will feature explicit presentation of a rival's product in a way still banned in some countries as unfair advertising. In other countries such as Greece PepsiCo has been working with regulatory authorities to have rules eased.

In the UK, for example, it is still trying to get the ads approved by the Broadcast Advertising Clearance Centre, a body which vets commercials for television broadcasters. Despite some easing of the rules under recent trademark legislation in the UK, the ground needs to be tested further, PepsiCo said.

"We intend to push the envelope on comparative advertising in markets across the world." Mr John Swanhaus, head of marketing and sales for Pepsi-Cola International, the US group's overseas operations, said yesterday.

The commercials will include scenes of a "102-year old" Italian woman falling asleep over a Coke or of supermodel Cindy Crawford reviving a Pepsi drinker, mention Coke by name and feature its distinctive cans.

With Cindy Crawford and a cast of hundreds, Mr Swanhaus launched the ads yesterday in a freezing and desolate County Hall, the imposing London building left empty by the axing of the Greater London Council in the 1980s.

Comparative advertising is the stuff of legends within PepsiCo for the effect it had in the US during the 1970s and 1980s in getting people to switch from Coke to Pepsi. Thirty years ago Coke's US market share was almost 40 per cent and Pepsi's less than 20 per cent. Today they are but a few points apart.

Pepsi sees comparative advertising as an essential technique for helping it to break Coke's international market dominance. Coke outsells Pepsi by about three to one outside the US.

A two-thrust approach will be tried: comparative taste tests which have been its stock in trade in the US, coupled with humorous ads. "We're not trying to denigrate Coke but only have some fun," a senior Pepsi executive said.

"Three to five years ago. I think Coke would have over-reacted to this," Mr Swanhaus said. "But I think they have loosened up."

Comparative taste test ads have already landed PepsiCo in court in Argentina, for example, but PepsiCo said it hoped a court ruling expected within a month would allow it to use comparative advertising. In Mexico it has won an injunction preventing Coke from seek a court ban on its advertising.

Fate of Italian government in balance

Continued from Page 1

technocrats was sworn in on Tuesday. Forza Italia and the neo-fascist MSI/National Alliance plus the other minor partners in the outgoing coalition pledged to vote against it in next week's confidence debate.

Yesterday moderates in Forza Italia, concerned that Mr Berlusconi had moved too close to the extreme anti-government position demanded by the MSI, sought to find a compromise. They suggested offering a "conditional" vote of confidence, that would probably end, or at least be reviewed, in April.

Mr Berlusconi himself also still insisted that elections had to be held by June 11 – the date he claims he had privately been promised by President Oscar Luigi Scalfaro.

Neither Mr Scalfaro nor Mr Dini have made any public commitment to a date for elections. The head of state himself is known to be anxious to avoid early elections and could even be willing to promote the formation of another government should Mr Dini fail to obtain the necessary vote of confidence.

Yesterday, dissident members of the populist Northern League were still undecided whether or not to vote against the government. Their vote could prove crucial since the new government would need all 97 of their members left in the chamber of deputies to be assured the 316 necessary for a majority.

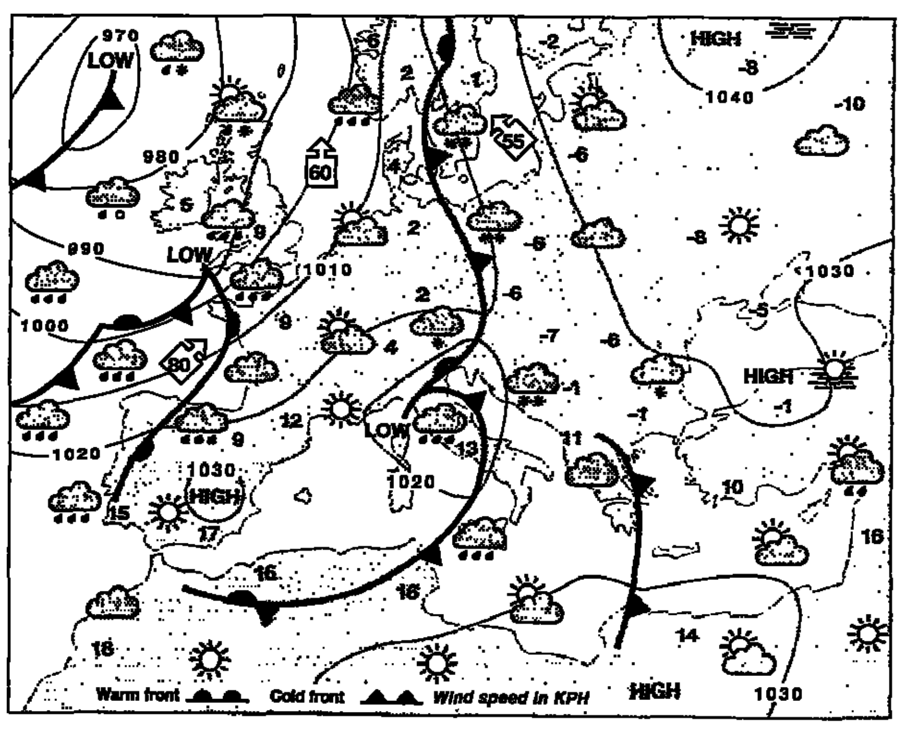
FT WEATHER GUIDE

Europe today

A strong south-westerly wind will move warm and moist air into western Europe. A lot of rain and unusually high afternoon temperatures are expected from southern England to northern Spain. Strong gales from the south to south-west will develop along the Atlantic coasts of Brittany and southern England. The Low Countries, Germany and eastern France will have some sun with only isolated showers. The Mediterranean seaboard of Spain and France will be sunny and mild. A wavering frontal zone will produce snow or sleet from southern Sweden to Austria. Much of Italy will be cloudy with outbreaks of rain. Southern-most parts of Italy will be sunny at first. The Black Sea region will have wintry showers and light frost. Western Russia will be sunny with light to moderate frost.

Five-day forecast

A large high pressure system near Moscow will intensify but will move steadily east. At the same time, a mild, but strong Atlantic air flow will penetrate deep into continental Europe. This will produce cloud, rain, strong south-westerly winds and unseasonably high temperatures.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius															
			Beijing	sun	3	Caracas	sun	30	Faro	fair	16	Madrid	cloudy	8	Rangoon	sun	35
			Belfast	shower	4	Cardiff	rain	8	Frankfurt	fair	4	Majorca	sun	15	Reykjavik	snow	-3
Abu Dhabi	sun	26	Belgrade	cloudy	1	Casablanca	shower	18	Geneva	cloudy	4	Malta	fair	15	Rio	sun	27
Accra	fair	32	Berlin	snow	0	Chicago	snow	1	Gibraltar	fair	16	Manchester	rain	7	Rome	rain	13
Algiers	fair	17	Bermuda	fair	22	Cologne	fair	5	Glasgow	cloudy	4	Manila	fair	30	S. Frsco	cloudy	12
Amsterdam	fair	7	Bogota	fair	19	Dakar	sun	25	Hamburg	fair	3	Melbourne	shower	33	Seoul	fair	2
Athens	fair	14	Bombay	sun	32	Dallas	sun	16	Helsinki	fair	-3	Mexico City	windy	23	Singapore	shower	31
Atlanta	cloudy	13	Brussels	fair	7	Delhi	fair	20	Hong Kong	cloudy	19	Miami	shower	27	Stockholm	snow	1
B. Aires	sun	30	Budapest	cloudy	-3	Dubai	sun	25	Honolulu	fair	27	Milan	rain	7	Strasbourg	fair	5
B.ham	rain	7	C.hagen	sleet	1	Dublin	rain	5	Istanbul	fair	5	Montreal	cloudy	3	Sydney	rain	24
Bangkok	sun	34	Cairo	fair	16	Dubrovnik	rain	11	Jakarta	thund	30	Moscow	fair	-5	Tangier	cloudy	16
Barcelona	sun	12	Cape Town	cloudy	27	Edinburgh	fair	4	Jersey	rain	12	Munich	sleet	1	Tel Aviv	fair	16
									Karachi	fair	27	Nairobi	fair	27	Tokyo	fair	9
									Kuwait	sun	21	Naples	rain	11	Toronto	rain	6
									L. Angeles	sun	22	Nassau	sun	27	Vancouver	cloudy	6
									Las Palmas	fair	21	New York	cloudy	10	Venice	rain	8
									Lima	cloudy	27	Nice	shower	14	Vienna	snow	-2
									Lisbon	cloudy	14	Nicosia	shower	14	Warsaw	fair	-5
									London	rain	10	Oslo	sleet	1	Washington	cloudy	12
									Lux.bourg	fair	3	Paris	cloudy	9	Wellington	rain	23
									Lyon	cloudy	8	Perth	fair	36	Winnipeg	fair	-9
									Madeira	cloudy	18	Prague	snow	-1	Zurich	sleet	2

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday January 19 1995

IN BRIEF

Siberia gold field to be developed

The way is clear for development of Sukhoi Log in Siberia, the world's biggest known gold deposit, says Mr Michael Bates, chief executive of Star Mining Corporation, the Australian company that has 34.9 per cent of the venture. Page 19

Thyssen Stahl returns to profit
Thyssen Stahl, Germany's *biggest steelmaker, has* returned to profits after three consecutive years of losses. Page 14

Stega drops listings plan
Stega Pharmaceuticals, the Austrian biotechnology company, has abandoned plans for a London listing after failing to win sufficient financial backing to develop a "revolutionary" new vaccine. Page 18

Morocco launches first bank privatisation
Morocco is seeking to attract domestic investors to the country's first bank privatisation, launched this week with the sale of most of its 50 per cent stake in Banque Marocaine du Commerce Exterieur. Page 15

Strong fourth quarter for Roche
Sales last year by Roche Holding, *the Swiss drugs* and specialist chemicals company, rose 10 per cent in foreign currency terms, but only by 3 per cent to SFr14.7bn ($11.41bn) once converted. The improvement was largely the result of "a gratifying fourth-quarter performance". Page 14

Rising paper prices boost Boise
Boise Cascade, the Idaho-based paper and forest products company, said rising paper prices boosted fourth quarter net income to $25.9m, or 32 cents a share, reversing a year-ago loss of $23.7m, or 98 cents. Page 15

Pfizer sales growth tops trend
Pfizer continued to outshine other big US drugs companies with sales growth last year of 11 per cent, nearly double the general level expected to be reported by other manufacturers. Page 14

Air France and Sabena close to separation
Air France and Sabena are nearing a separation agreement which could clear the way for other airlines to take a stake in the state-owned Belgian carrier. Page 14

Blenheim hit by £4m restructuring costs
Shares in Blenheim fell 15 per cent after the exhibitions organiser announced a £4m restructuring charge and warned of difficult trading conditions in France and strong competition in the US. Page 18

Hammerson clinches £61.8m Canada sale
Hammerson, the property company, completed its sixth substantial deal since last summer, selling *more than 1m sq ft of offices in Calgary, Canada,* for £61.8m. Page 18

First Leisure dances way to big rise
Almost 7m dancers filed into First Leisure's discotheques last year, helping to boost profits by more than 22 per cent. Page 17

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Continental	233	+	5.5
Lahmeyer	565	+	5
Falls			
BMW	765	–	8
CKAG Col Pf	775	–	25
SEHE	542.5	–	3.5
Verein West	338	–	4
NEW YORK ($)			
Rises			
Morton Intl	30	+	¼
Snta Fe Pac	18¾	+	⅜
US West	35⅝	+	¼
Falls			
Bnk America	41¾	–	¾
Gen Motors	40¾	–	1
Union Pac	48½	–	⅝
LONDON (Pence)			
Rises			
Kleinwrt Bnsn	576	+	29
Mercry Asst	748	+	52
Tadpole Tch	246	+	38
Falls			
Blenheim	188	–	35
Photo-Me	234	–	29
Shelton (M)	113	–	10
TORONTO (C$)			
Rises			
Barick Gld	31½	+	¼
Newbridge	54½	+	1⅜
Travelers	48	+	5¼
Falls			
Fitcher Inc	28⅞	–	⅝
IPL Energy	22	–	1¼
Magna Intl	55⅝	–	1⅛
PARIS (FFr)			
Rises			
Air Liquide	737	+	5
BNP	253.4	+	4.4
Legris	314	+	10
Falls			
Cred Fonc	752	–	12
Fonc Lyon	655	–	44
Sab SA	522	–	14
TOKYO (Yen)			
Rises			
Aoki Corp	475	+	35
Chichibu	618	+	46
Fudo Const	690	+	80
Hazama Corp	453	+	36
Kinden	1820	+	120
Falls			
Nippon Fire	825	–	26
HONG KONG (HK$)			
Rises			
Amoy Props	6.8	+	0.15
Citic Pac	17.1	+	0.75
SHK Prop	41.5	+	0.80
Tele Brdcst	28.8	+	2.4
Falls			
HSBC Hldgs	78.5	–	0.75
Hng Sng Bk	49.4	–	0.3
BANGKOK (Baht)			
Rises			
Bangkok Bk	224	+	2
Dhana Siam	157	+	3
Egco	59	+	5
Siam Bnk	218	+	12
Tele Asia	80	+	3
Falls			
Siam Cement	1306	–	12

New York and Canada prices at 12.30pm.

GAN to seek government rescue

By Andrew Jack in Paris

Groupe des Assurances Nationales (GAN), the state-controlled French insurance company, yesterday confirmed that it would need a recapitalisation from the government of up to FFr3bn ($566m) to cover losses for the 1994 financial year.

The announcement highlighted the crisis surrounding companies that invested in the property sector in France, and caused GAN's share price to fall FFr14 to close at FFr241.

GAN may be forced to make a direct call for funds on the government. This could prove a political embarrassment in the run-up to the presidential elections in April and May.

It comes at a time of heavy budget deficit and as a second rescue package is being discussed for Crédit Lyonnais, the embattled banking group, partly as a result of property losses.

In an official statement follow*ing informal* comments reported on Tuesday by the chairman of GAN, the group confirmed that it would report substantial losses for the year triggered by heavy additional provisions at Union Industrielle de Crédit (UIC), the property company in which it has a controlling stake.

Mr Jean-Jacques Bonnaud, who was appointed by the government as head of the insurance group last July, said provisional findings of an audit currently underway at UIC indicated that the company would produce losses of FFr2.5bn-3bn for 1994.

The details caused shares in UIC to fall by 18 per cent to close down FFr50 at FFr228 on the Paris bourse.

Mr Bonnaud said the losses had been primarily caused by a legacy of bad loans at Sofal, a subsidiary of UIC which specialised in the development and redevelopment of commercial property. UIC is in turn controlled by GAN through a 68 per cent stake.

He said that GAN would recapitalise UIC through an injection of shares. This process would in turn cause GAN to report a deficit of the same order as the losses at UIC.

The new provisions come on top of more than FFr6bn already set aside by GAN against UIC in the 1993 financial year and the first half of 1994, and a ring-fencing in a separate structure of the company's debts of FFr18.9bn.

Mr Bonnaud said the government had already agreed in principle to a recapitalisation of GAN, although the precise terms and amount have yet to be determined. They are likely to be announced at the time of the group's results in April.

Mr Bonnaud took over as chairman of UIC last October and appointed a new managing director, after which he began a detailed audit and plans to restructure the company.

"This is a very bad surprise," said one Paris-based insurance analyst yesterday who predicted further provisions would still be necessary. "GAN had already made some provisions, but was the least provisioned against property losses."

Warburg and MAM shares rise sharply in heavy trade

Takeover speculation raises questions

By Norma Cohen and Nicholas Denton in London

The share prices of investment bank S.G. Warburg and its 75 per cent owned subsidiary, Mercury Asset Management, rose sharply in active trading yesterday, prompting the London Stock Exchange to seek an explanation.

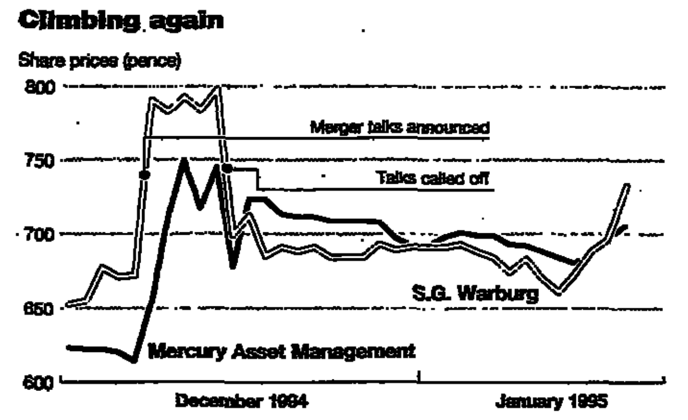
The exchange spoke to Warburg's broker, Cazenove, which is understood to have said it knew of no reason for the price rise.

Warburg shares jumped sharply in December when it announced it was in merger talks with Morgan Stanley, the New York investment bank, but they fell back later in the month when the deal discussions were abandoned.

Warburg closed 41p higher yesterday at 737p with 1.2m shares traded, while MAM shares closed 52p higher at 748p.

Stock market traders attributed yesterday's rise to speculation that Warburg had once again become an acquisition target.

Climbing again



Source: FT Graphite

Warburg yesterday declined to comment, while Deutsche Bank, rumoured as a potential bidder, firmly denied its interest. However, there is also speculation that Warburg may be considering the sale of its some of its MAM shares, reducing its stake to just below 50 per cent.

Last month's merger talks broke down after directors at MAM indicated they were not satisfied with the terms of the deal, including the value put on MAM.

"We see no reason to change the relationship between MAM and Warburg," a spokesman for both firms said yesterday, adding that relations between the two had been unchanged by the affair.

Recent merger activity in the fund management industry has helped fuel speculation about the possible sale of a stake in MAM, securities analysts said. In December, fund manager Jupiter Tyndall confirmed it was in talks with several parties about the possibility of being acquired.

There is speculation that MAM directors would prefer that any stake be placed in the hands of a single, friendly buyer rather than offered to the market in a flotation. It might also prefer a buyer which could help expand its business, particularly in the retail sector.

Shares in Kleinwort Benson and Hambros, two other independent UK investment banks, also gained yesterday. Kleinwort Benson shares added 29p to close yesterday at 576p.

BTR picks new chief from RTZ

By Robert Peston in London

Mr Ian Strachan, deputy chief executive of the mining group RTZ Corporation, is to succeed Mr Alan Jackson as chief executive of BTR, the UK conglomerate, early next year.

Mr Strachan's appointment, which may be announced today, will come as a surprise to the City of London, because it is the first time that BTR has appointed an outsider to the top post, since it was transformed into an acquisitive conglomerate 30 years ago by Sir Owen Green.

Mr Strachan, 51, is expected to join the BTR board in April and will take over as chief executive in early 1996. He has been chosen because of his international experience, according to a corporate financier who knows him.

Mr Jackson, an Australian, will be 60 next year. He will stay on the board in a non-executive capacity, after standing down as chief executive, but will not become BTR's chairman, despite speculation that he would replace Mr Norman Ireland in that role. BTR will now start looking for a replacement for Mr Ireland, who is 67 and has been with the group since 1967.

The company is again likely to break with tradition and appoint an outsider to succeed Mr Ireland. Sir Robin Biggam, the *chairman of BICC, the cables and* construction group, has been mooted for the role.

However, there have been no formal discussions with Sir Robin, who would find it difficult to leave BICC at present because he has no obvious successor.

BTR is also likely to begin a search for possible non-executive directors from outside the company. Its non-executives have always consisted of former BTR executives, in breach of a core principle of the Cadbury Code on corporate governance.

Alan Jackson: standing down

Over the past year, BTR has been the object of criticism from stock market analysts and investors, having for the previous decade been one of the UK's most respected companies.

Its shares have lost a quarter of their value in the past six months because of concerns about the absence of an obvious internal candidate to succeed Mr Jackson and worries about a narrowing of the group's profit margins.

Mr Strachan has been RTZ deputy chief executive since June 1991, when he narrowly lost out *to Mr Robert Wilson in a race to* be chief executive.

Before joining RTZ as finance director in 1987, he had been with Exxon, the US oil company, for 16 years.

At RTZ, he had responsibility for Pillar, a collection of building products and electrical businesses which were sold to MB Caradon 17 months ago.

BTR last night declined to comment.

Cost cuts put Digital back in the black

By Louise Kehoe in San Francisco

Digital Equipment reported a return to profitability in its second fiscal quarter with a modest increase in revenues and sharp cost cutting, including the loss of 8,200 jobs or 11 per cent of the workforce. The computer com*pany reported net income for the* quarter, ended December 31, of $18.9m, or 7 cents a share, compared with a net loss of $72.1m, or 53 cents a share for the same period last year. Analysts had predicted further losses of 20 cents a share for the quarter.

Total revenues for the quarter were $3.47bn, up 7 per cent from $3.25bn in the same period last year. Revenues from product sales rose 13 per cent to $1.87bn from $1.66bn. This is the third consecutive quarter of year-on-year product revenue growth. Service revenues were $1.6bn, up slightly from the $1.59bn in the same period last year.

Total operating expenses decreased 10 per cent to $1.12bn. The company ended the quarter with 65,600 employees – a reduction of 21,900 jobs, or 25 per cent, over the past 12 months.

"Digital reached one of its most aggressive interim goals: achieving operating profitability by the end of the 1994 calendar year," said Mr Robert Palmer, president and chief executive. "Management will continue to focus on sustainable profitability, continued cost discipline, generation of cash from operations, and revenue growth," he added.

Digital reported growth in both US and international markets, especially in the Asia-Pacific region. In Europe, the company "made excellent progress in restructuring business operations and positioning for profitable growth", said Mr Palmer. European revenues increased by 5 per cent compared to the same period last year.

Sales of Digital's flagship Alpha computers increased by more than 150 per cent during the previous year.

*Digital has seen its gross mar*gins fall sharply from past levels. However, gross margin for the quarter was 33.1 per cent, up from 30.2 per cent in the first fiscal quarter. For the year to date Digital reported revenues of $3.5bn, up from $3.2bn in the first half of fiscal 1994. Net losses were $129.4m, or 19 cents a share, compared with net losses of $226.4m or $1.67 a share in the same period a year ago.

Norma Cohen charts a shift towards external fund management as the costs of internal oversight rise

Pension schemes cautiously step out and about

Can companies which are good at making cars or selling hamburgers also be good at managing investments? Increasingly, large corporations on both sides of the Atlantic Ocean are saying "no".

For decades, many companies with large group pension schemes have acted as the investment manager for their own funds. However, changes in the investment business mean that *for many companies the advan*tages of managing money in-house are disappearing.

In the UK, Imperial Chemical Industries and Coats Viyella, with pension assets of £4.6bn ($7.2bn) and £900m respectively, have both decided to abandon their long-standing in-house fund management teams.

The trend is already well entrenched in the US, where, both Shell Oil and IBM are considering increasing the portion of fund assets handled by outside managers.

According to data from InterSec Research, a US-based consultancy firm, US pension assets managed internally at the end of 1992 were roughly 27 per cent of $3,320bn in assets. In the UK at the end of 1992, about 40 per cent of the $689bn in pension assets were managed internally.

Three main factors lie behind this: a change in corporate philosophy; changes in investment techniques eroding the cost advantages once enjoyed by internal managers; and increased vigilance over pension assets now demanded of fund trustees.

In some cases, poor fund performance can be a factor, though *this is not generally the case*: Data from WM Company, the UK performance measurement agency, suggests that in Britain, there has been little difference between the performance of internal and external managers.

In the five years to 1994, internal managers achieved average returns of 16.9 per cent on funds exclusive of property investments while external managers earned returns of 16.8 per cent.

The philosophical shift is that many companies, particularly in the US, are shedding peripheral activities – including pension fund management – to focus on their core business.

Traditionally, companies have enjoyed a cost advantage managing funds in-house and in many instances they still do.

However, the costs of internal management are rising sharply. For one thing, once-arcane sectors such as emerging markets, *derivatives or venture capital are* now core segments of the standard pension fund portfolio.

Salaries are soaring, especially for professionals with expertise in these areas. "The cost of keeping good people, particularly on the international equity side has been too high", said Ms Susan Dowse, investment consultant at actuaries R Watson and Co.

Technology, moreover, has become increasingly essential to enhance performance as mainstream fund managers integrate quantitative approaches, involving the collection and analysis of large quantities of data, to stock selection and asset allocation.

"We concluded that the investment waterfront has broadened considerably", said Mr Sam Dow, Coats Viyella company secretary, explaining his company's decision. "There are many areas where in-house managers don't have the expertise or the technology to do the job effectively."

> Traditionally companies have enjoyed a cost advantage managing funds in-house and in many instances they still do

For Shell Oil, the issue has been the poaching of some of its best fund managers by high paying independent fund management companies. "The problem is being able to maintain the expertise," one official said. "We have lost some people who we didn't want to lose."

While internal fund management costs are rising, competition for business among external managers is pushing down their fees.

Mr Alan Emkin, managing director at Los Angeles-based Pension Consulting Alliance, recounts that a client of his, a multinational with a $15bn indexed pension portfolio, had considered bringing the funds back in-house but had received a bid from an external manager at a cost of about 0.05 of a per cent of assets under management. In-house, the service could have cost up to 0.2 per cent.

Nevertheless, many pension schemes are still choosing internal management over external on grounds of cost and performance. Last year, Nestle UK Pension Scheme, one of the UK's largest pension funds, removed its external managers and brought the fund inside following a review of performance.

Some of the largest US pension schemes continue to be managed internally, partly because they use passive techniques which, with the right computer systems, can be run at very low cost. These techniques do not require stock selection, but simply rely on the manager to create a basket of stocks which mimics the composition of a key stock or bond index.

But consultants note that another factor encouraging companies to look outside is the growing awareness, backed by *legal pressures, that pension* fund trustees must fulfil their "fiduciary duties" – which includes giving scheme members the best return on their assets.

"Lawyers usually raise red flags about issues of trusteeship," notes Mr Mike Beasley, managing director at Strategic Investment Solutions, a California-based investment consultancy. "If your in-house manager underperforms, you have taken on a liability which is much harder to defend."

In short, the decision on whether to manage a fund in house or go outside is growing far more complex, and companies must weight up considerations of cost, control, investment performance and fiduciary responsibilities. Taken together, these factors are increasingly moving the balance of choice towards the external manager.

Thyssen Stahl in black for quarter

By Michael Lindemann in Bonn

Thyssen Stahl, Germany's biggest steelmaker, has returned to profits after three consecutives years of losses. However, the group warned it still needed to shed a further 20 per cent of its workforce if it was to achieve the aim of becoming one of Europe's most efficient steel companies.

The company made an operating profit in the third quarter of the last financial year, which ended on September 30, but this was insufficient to offset previous losses in the year. Net losses for the year were DM448m ($294.7m), compared with a loss of DM1.23bn for the previous 12 months.

Turnover last year rose 3 per cent to DM11bn from DM10.6bn the year before. Mr Ekkehard Schulz, chief executive, warned that the sales rise was due to higher output and that prices had only recently begun to rise. Turnover rose 22 per cent in the first quarter of the current financial year, to DM2.9bn from DM2.41bn.

The company said it hoped to have only 37,000 employees by the end of this year, some 7,000 fewer than at the end of the period under review, and 21,000 fewer than at the end of 1992.

It was unable to say how much the restructuring would cost, but revealed that some jobs would move from Thyssen Stahl to joint ventures formed with Krupp-Hoesch, Germany's second biggest steelmaker.

The smaller losses this year were attributed mainly to cost-cutting, but Thyssen would need to redouble its efforts if it was to match more productive steelmakers such as British Steel, Mr Schulz said. Personnel costs still accounted for around 24 per cent of total turnover, a figure which the company wants to reduce to around 20 per cent by the end of the year.

Prospects for the steel business were improving as a number of European countries pulled out of recession, but it remained unclear how long the good times would last. "We know very well that in the cyclical steel business the next downturn is on its way, and that will be the real test of whether [steelmakers] have done their homework," Mr Schulz said.

Prices were raised by an unspecified amount on January 1 and will be lifted by a further 4 per cent on April 1. The second rise was agreed with the automotive industry, which accounts for about 20 per cent of Thyssen's turnover.

Thyssen was working at full capacity, to produce flat products, which make up more than 80 per cent of sales. Capacity utilisation rates for long products had also improved considerably.

Management shake-up at Italian bank

By Andrew Hill in Milan

Banco di Napoli, one of Italy's oldest and largest banks, has appointed two interim managing directors after its controlling shareholder insisted on a reshuffle of top management.

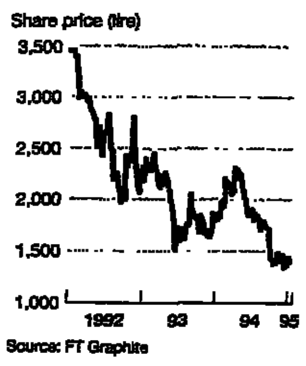
A permanent managing director could be appointed before the summer to restore the bank's reputation and pilot it out of losses, which prompted a slump in its share price and a downgrading of its credit ratings last year.

The position of Mr Pietro Giovannini and Mr Gianpaolo Vigliar, the outgoing managing directors, has been under scrutiny since last October, when Banco di Napoli unexpectedly announced a half-year deficit of L168.8bn ($105.4m) before tax, blamed on losses on its investment portfolio and provisions against bad loans. In the first half of 1993, the bank made a profit of L162.2bn.

On Monday, the foundation which owns just over 70 per cent of the bank issued a thinly-veiled invitation to Mr Giovannini and Mr Vigliar to step down. It said "the strongest measures" were necessary to overcome "the uncomfortable situation" within the bank's top management. A day later, Banco di Napoli said the pair had been replaced by two directors from within the bank, Mr Francesco Bombaci and Mr Antonio Sussi.

Mr Luigi Coccioli, chairman, confirmed yesterday that the bank would call an extraordinary meeting of shareholders at which a new, more flexible management structure could be adopted. This is likely to include the creation of an executive management committee, and the recreation of the post of "director-general".

Banco di Napoli



Source: FT Graphite

Banco di Napoli is beginning to distance itself from its recent past when, under the controversial management of Mr Ferdinando Ventriglia, a former chairman who died last year, it was open to political manipulation by the Christian Democrat party in the region.

In a statement released on Tuesday, the bank's board thanked Mr Giovannini and Mr Vigliar for their "sensitivity" in stepping aside. They will remain on the board. The bank said its directors "considered it extremely urgent to nominate new managing directors immediately, so as not to interrupt the continuity of Banco di Napoli's activities".

The bank has suffered in the past year from the backlash of recession in southern Italy, where some 600 of its 800 branches are located, with small and medium-sized companies defaulting on loan repayments. The Italian treasury, which is a shareholder of the bank, is also conducting an inquiry into Banco di Napoli's lending policy and foreign participations.

Générale des Eaux to bolster property unit

By John Ridding

Générale des Eaux, the French water, construction and communications group, said yesterday it would recapitalise its property subsidiary, after a sharp increase in losses at the unit last year.

Apart from the problems at the subsidiary, Compagnie Immobilière Phénix, the French utilities group outlined a relatively upbeat assessment of prospects. It said sales would increase by about 7 per cent to more than FFr165bn ($31.25bn) this year, with strong growth in international markets.

It also confirmed that profits in 1994 would rise by between 4 and 5 per cent from the FFr3.2bn achieved in 1993.

Compagnie Immobilière Phénix is estimated to have lost about FFr1bn in the second six months, after a deficit of FFr650m in the first half of the year. In 1993, losses there amounted to FFr158m.

Générale des Eaux said it would move urgently to reorganise and recapitalise Phénix, while guaranteeing the interests of minority shareholders. It said it had not yet decided on the timing or the size of the recapitalisation.

Industry observers said the decision to move quickly to redress Phénix reflected the arrival of Mr Jean-Marie Messier as managing director and heir-apparent to Mr Guy Dejouany, group chairman.

"As expected, he wants to push through a short, sharp clean up at Phénix," said one property analyst.

With respect to its other activities, Générale des Eaux emphasised the strong demand in international markets. It said sales outside France should rise by about 19 per cent to about FFr54bn this year, reflecting the benefits of expansion in the US, Asian and European markets.

Air France and Sabena close to separation

By John Ridding in Paris and Caroline Southey in Brussels

Air France and Sabena are nearing a separation agreement which could clear the way for other airlines to take a stake in the state-owned Belgian carrier, according to transport ministry officials in Brussels.

The officials declined to give details of the negotiations, but said an agreement on the sale of some or all of Air France's 37.5 per cent stake could be reached by the end of this month.

They said Sabena and Air France may continue to co-operate in some areas, even if the French airline sold its shares in the Belgian carrier.

Industry analysts in Paris suggested the timing of a deal would depend on parallel negotiations with other airlines, particularly Swissair, the Swiss flag-carrier which is negotiating the purchase of a stake in Sabena. Delta of the US and American Airlines have also been mentioned as potential partners, although Luxair, the Luxembourg airline, has recently played down the prospect of closer co-operation with the Belgian carrier.

Air France initially resisted the sale of its stake, which is held through Finacta, a holding company that groups the French state-owned carrier and financial partners. Air France owns two-thirds of Finacta, which holds 37.5 per cent of Sabena.

Pressure from the Belgian airline, however, and the failure to develop sufficient co-operation between the two groups, has shifted Air France's position. It is thought ready to agree to the sale of its stake, providing it recoups the BFr4bn ($127m) it paid for its investment.

Receipts from the sale would be welcome for Air France, which is in the middle of an ambitious cost-cutting and restructuring plan.

The plan, introduced by Mr Christian Blanc, chairman, is aimed at curbing losses of FFr8.5bn ($1.6bn) in 1993 and reducing debts of more than FFr20bn.

Strong fourth period lifts Roche figures for year

By Daniel Green in London

Sales last year by Roche Holding, the Swiss drugs and specialist chemicals company, rose 10 per cent in foreign currency terms, but only by 3 per cent to SFr14.7bn ($11.41bn), once converted.

The improvement was largely the result of "a gratifying fourth-quarter performance", said the company, compensating for poor second and third quarters.

The figures, the first in the sector's 1994 reporting season, were limited to divisional sales. On profits, Roche said only that they had risen in 1994 in spite of restructuring costs. Full details are due in April.

Sales by the pharmaceuticals division, Roche's biggest, rose by 10 per cent in foreign currency terms, excluding the contribution of Syntex, the Californian drugs company which it bought in May for $5.3bn.

Syntex was consolidated from November. Including its contribution, pharmaceutical sales rose 7 per cent to SFr8.3bn. Growth was 15 per cent in foreign currency terms.

"We are seeing outperformance by 3-4 per cent from Roche, thanks partly to the performance of its [62 per cent-owned biotechnology subsidiary] Genentech," Mr Mateus Wolf, analyst at Swiss Bank in Zurich, said.

Roche's fastest growing products included Neupogen, used to help blood withstand cancer treatment, and Roferon A, an alpha interferon used in cancer and hepatitis treatment. Roche said that Aleve, the over-the-counter version of the Syntex pain-relieving drug Naprosyn, which has been marketed in a joint venture with Procter & Gamble in the US, had "developed well beyond expectation within a short time".

The company saw its fastest growth in the US, Germany, UK, Spain and Australia. It said sales in these markets were "considerably higher" than the 4-8 per cent growth by the industry as a whole.

Roche's diagnostics division sales showed no growth on a foreign currency basis, and were down 7 per cent to SFr1.6bn. The company sold some businesses in 1994, such as in microbiology, and suffered from changes in US government reimbursement rules for health laboratories.

There was a "marked revival in demand" for fragrances, and the flavours business continued to grow in North America.

Sales by the fragrances and flavours division rose 6 per cent to SFr1.5bn and 13 per cent in foreign currency terms. Roche certificates rose SFr80 to SFr6,325 on the Zurich stock market.

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Pfizer sales growth tops trend

By Richard Waters in New York

Pfizer continued to outshine other big US drugs companies with sales growth last year of 11 per cent, nearly double the general level expected from other manufacturers.

The sales advance was achieved on the back of a batch of new drugs launched in the past three years, and comes at a time when many other drugs groups face a dearth of new products and pressure on older products as patents expire.

Pfizer's fastest growing drugs last year were Norvasc, a cardiovascular drug which recorded an 85 per cent jump in sales to $767m, and Zoloft, an anti-depressant, sales of which climbed 55 per cent to $718m.

The cardiovascular drug Procardia, the company's biggest selling product, matched 1993 sales of nearly $1.2bn, due in part to a 10 per cent jump in sales, attributed to "normal variations in trade stocking patterns".

While total sales for the year reached $8.3bn, pharmaceuticals sales were $5.8bn, up 13 per cent from 1993, the company said.

After-tax profits were $1.3bn, or $4.19 a share, for the year, slightly ahead of expectations. This compared with $657m, or $2.05, in 1993, struck after $752m of restructuring charges. For the final three months of 1994, net income was $334m.

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Peugeot considers return to US

By John Ridding

PSA Peugeot-Citroën, the French vehicles group, yesterday confirmed it was studying a return to the US market from which it withdrew in 1991. It said a decision should be made during the summer.

The company said, however, that reports of a five-year, $4bn investment represented just one of the ideas under consideration. "That is one hypothesis, and it is at the top of the range of possible plans," an official said.

The possibility of a significant investment in the US market, however, prompted a nervous reaction among investors. Shares fell by FFr18 to FFr721.

Mr Jacques Calvet, Peugeot-Citroën chairman, has said that he plans to raise the non-European sales of the group from between 12 and 14 per cent at present to about 25 per cent by the end of the century.

However, officials said this did not imply a return to the US, and the goal could be achieved through further sales increases in Asia and Latin America.

● Renault, the French state-owned rival of Peugeot, said it did not envisage a return to the US market. "The cost would be extremely high," the company said. "To be competitive you would need to invest in plant, a sales network and a range of specialised products for the market."

Tony Andrews

Volvo's plant at Gothenburg: the expansion of automotive operations will not be achieved cheaply

Volvo takes the wraps off expansion strategy

The group has ambitious plans, writes **Kevin Done**

Volvo is taking the wraps off its strategy for expanding its automotive operations independently, more than a year after the spectacular collapse of its planned merger with Renault, the French majority state-owned carmaker.

The moves outlined yesterday are the first steps towards expanding its successful truck operations in Europe, while providing a broader base for its car division with the development of new products outside the narrow confines of its established car business.

Volvo acted quickly last year to set the priorities for its new corporate strategy. This is centred on the plan to concentrate resources on its car and commercial vehicle operations (it will retain its aero and marine engine activities), with the divestment of most of its non-core activities.

By late 1994 it had regained control over its strategic auto operations by dissolving its alliance with Renault and removing the cross-shareholdings binding the two groups' car and commercial vehicle operations. It also began the disposal of unwanted activities with the aim of strengthening its balance sheet.

The expansion of its automotive operations will not be achieved cheaply, but Volvo's finances are improving rapidly, fuelled both by the disposal programme and, more important, by the turnround of the automotive operations.

Net debt had been driven down from SKr14.5bn ($1.9bn) at the end of 1993 to SKr700m at the beginning of October last year. The group's equity-to-assets ratio had risen to 30 per cent from 21 per cent. Mr Sören Gyll, chief executive, aims for a ratio of 50 per cent.

Profits are rising fast as Volvo benefits from the tough cost-cutting programmes it was forced to implement during the recession, as well as from an upturn in its main markets and a favourable response to new car and truck products launched in the last two years.

Volvo Truck had record sales year last year, with volumes climbing by 33.5 per cent to 68,500. Operating profit in the first nine months rose to SKr2.697bn from SKr183m in the corresponding period a year earlier. Volvo Car increased sales volume in 1994 by 15.9 per cent to 361,500, with operating profits in the first nine months rebounding to SKr1.95bn from SKr10m.

The truck operations are embarking on a far-reaching expansion in Europe and Asia, with the first move aimed at expanding production capacity outside North America to 60,000 trucks a year with an investment of SKr1.7bn.

Some 42,000 trucks were produced outside North America last year. About 27,000 trucks a year are produced in the US.

The planned expansion will take place in Europe with heavy investment in the production of cabs and components – engines, gearboxes and axles – in Sweden, and the expansion of assembly capacity in four countries, Belgium (up by 4,000 to 26,000), the UK (up by 1,000 to 5,500), Poland (up by 500 to 1,500) and in Sweden (up by 2,000 to 17,000).

Also under consideration are ambitious plans for the development of a new range of trucks to allow Volvo to enter the European light truck market, as well as for the establishment of a joint venture in China with the aim of adding a production centre in Asia to its three regional truck manufacturing operations in Europe and North and South America. It has also launched a feasibility study into establishing production in India.

Asia is Volvo's "number one priority" in the geographic expansion of its truck operations, says Mr Karl-Erling Trogen, chief executive of Volvo Truck.

Volvo is among the world leaders in the truck sector, but in the car industry it is one of the smallest producers in the mainstream industry.

Mr Per-Erik Mohlin, president of Volvo Car, has made clear that it will need a number of partnerships to replace the alliance with Renault.

The joint venture with TWR, the UK automotive engineering group controlled by Mr Tom Walkinshaw, is a first step.

It will develop small volume niche products, initially a cabriolet and a coupe, from Volvo's main 850 large car chassis platform.

Volvo is strong in the "family market", says Mr Mohlin, but it must develop a strategy for broadening the customer base to gain more "pre-family" and "post-family" buyers.

"We know it is possible to develop more cars from a single platform. The trick is to utilise common components but to differentiate the products," he says.

To achieve this flexibility Volvo has chosen to join forces with Mr Walkinshaw, the entrepreneurial and technical talent behind JaguarSport (a previous Jaguar/TWR joint venture) and the Benetton grand prix team.

Volvo Car already has in place one other big alliance, namely its joint venture in the Netherlands with Mitsubishi Motors, which will provide Volvo with a replacement for its current 400 medium car range starting in 1996.

Price rises return Boise Cascade to the black

By Laurie Morse in New York

Boise Cascade, the Idaho-based paper and forest products company, said rising paper prices boosted fourth-quarter net income to $25.9m, or 32 cents a share, reversing a year-ago loss of $23.7m, or 98 cents.

Sales in the quarter rose to $1.1bn. In the same 1993 quarter sales were $997m, which included $73m from Rainy River Forest Products operations that were spun off in a public offering in September.

"Fourth-quarter results demonstrated the powerful earnings leverage in our paper business," said Mr George Harad, president. "Rising paper prices, which on average increased $118 per ton, or 24 per cent, from fourth quarter to fourth quarter, drove the significant swing in our earnings per share."

For the full year, excluding extraordinary gains and losses, Boise reported a loss of $35.6m, or $2.37 a share, compared with a loss of $83.6m, or $3.34, in 1993. Sales for the year rose to $4.1bn, from $3.95bn a year ago.

● *Bowater, the US papermaker*, said income before special gains was $11.1m, or 17 cents a share, compared with a 1993 fourth-quarter loss of $19.4m, or 55 cents. Sales in the quarter rose to $381.9m, up from $340.4m a year ago.

For the year, Bowater posted a net loss of $4.8m, or 59 cents, on sales of $1.36bn, trimming a 1993 loss of $64.5m, or $1.84, on sales of $1.35bn.

Greater autonomy for Jardine Pacific

Jardine Matheson Holdings yesterday appointed Mr Anthony Nightingale as chairman of its Jardine Pacific subsidiary in a move aimed at granting more autonomy to the regional trading and services company, AP-DJ reports from Hong Kong.

Traditionally, the chairman of Jardine Pacific has been the managing director of Jardine Matheson, the group said. However, in a break from tradition, Mr Nightingale will take up a director's position on the Jardine Matheson board but will not serve as its managing director.

Mr Nightingale is currently Jardine Pacific's managing director. He will be succeeded by Mr Blair Pickerell, currently a Jardine Pacific director who handles Jardine Pacific's trading and distribution division.

Mr Pickerell joined Jardine Matheson, the group's management company, in 1984 and has worked as development director of the Mandarin Oriental Hotel Group and director of Jardine Fleming.

Jardine Matheson Holdings is Hong Kong's original 'hong', or trading conglomerate. It is about 9.8 per cent owned by the Keswick family of the UK. At the end of last year the group delisted from the Hong Kong Stock Exchange, leaving it with a primary listing in London and secondary listings in Singapore, Australia and Luxembourg.

Taiwan group advances sharply

Tuntex Distinct, one of Taiwan's leading chemical and construction companies, reported a 31 per cent surge in pre-tax profits to T$4.2bn (US$158.8m) in 1994 from T$3.2bn a year earlier, Reuter reports from Taipei. Sales rose 39 per cent to T$21.5bn, the first time annual sales have topped T$20bn.

Abnormals aid MIM Holdings turnround at interim stage

By Emilia Tagaza in Melbourne

MIM Holdings, the Australian mining group, yesterday announced a net profit of A$43.4m (US$31.6m) for the 24 weeks to December 11. This compares with a loss of A$18.5m in the first six months of the previous year.

Abnormal profits totalling A$19.3m, before tax, contributed to the result. These comprised A$8.3m from the A$385.5m sale of MIM's 10.8m shares in the US metals group Asarco, and A$11m from the A$164.2m sale of its remaining share in Cominco, the Canadian metals group.

Sales totalled A$1.1bn, 11.3 per cent up on the year-earlier A$996m. The interim dividend was maintained at 2.5 cents.

The company said the improved result was due mainly to higher international prices for base metals. Partially offsetting this were the stronger Australian dollar, lower coal prices, a A$12.9m loss at the Duisburg zinc smelter in Germany, and lower production and sales volumes of precious and base metals from Mount Isa in Queensland.

Increases in average Australian dollar prices were highest for lead, which rose 54 per cent, and copper, up 32 per cent. Silver prices were 13 per cent higher. Price declines were reported for gold, by 13 per cent, and coking coal, by 11 per cent.

The copper operations posted the strongest performance, generating a profit before tax of A$93.7m, on sales of A$381.4m. The company said the result was hampered by production problems at Mount Isa.

There were "specific difficulties" with the new Isasmelt process, although MIM said a task force had been formed to improve the smelter's availability and performance.

Gold operations generated a pre-tax profit of A$16m. Losses were posted by the lead-zinc group (A$12.6m) and coal operations (A$6.8m).

The company also announced senior executive appointments, including Mr Phil Wright, who will immediately take up the position of executive general manager of the Mount Isa operations. Mr Wright was previously responsible for the advances in the Alumbrera project.

Mr Peter Freund, who has been responsible for the McArthur River mine development, will become executive general manager in charge of specific development projects.

Morocco launches first bank float

By Roula Khalaf in London

In a Moroccan TV commercial running this week, the star of a hit Moroccan movie, *In Search of My Woman's Husband*, arrives home bearing a gift for his wife. He has her guessing for a while then reveals that the gift is shares in a bank.

This is how Morocco is attracting domestic investors to the country's first bank privatisation, launched this week with the sale of most of the state's 50 per cent stake in Banque Marocaine du Commerce Exterieur (BMCE), the country's second-largest bank in terms of assets.

BMCE's privatisation is being conducted in two stages. The first issue, for 14 per cent of the capital, will raise Dh455m ($47.3m) at Dh325 a share from Moroccan investors on the Casablanca bourse by the end of this week.

At the same time, the state is offering a further 26 per cent stake in BMCE to a consortium of domestic and foreign investors, who are invited to tender their bids by March 6.

A further 3 per cent of the capital will be sold to employees and the government will retain a 7 per cent stake.

S.G. Warburg is acting as adviser to the government on the deal.

Morocco's privatisation programme was launched in 1993.

Although its original aim was to raise $2.2bn by the end of this year, the process, which was slow to take off, is likely to be extended until at least 1996.

BMCE, with assets of $2.9bn in 1993 and market share of more than 14 per cent in terms of deposits, is already quoted on the Casablanca bourse and has a market capitalisation of about $370m, accounting for 8.5 per cent of the market's total capitalisation.

Ownership is spread among the state and other public and private financial institutions, including Banque Française du Commerce Exterieur, the specialist banking group, and Germany's Commerzbank.

Analysts have been guarded about the deal. They point out that the bank's profitability has been hampered in the past by financing of government purchases at preferential rates.

Privatisation, however, should give the bank more freedom to pursue more profitable ventures.

According to consolidated figures, the bank posted net income of $18.5m in 1993, slightly down from a year earlier.

The structure of the BMCE deal marks a departure from earlier privatisations.

In previous deals, the government tended first to ask foreign and domestic companies to bid on a portion of the offered equity, typically 35-51 per cent.

The aim is to provide a "noyau dur", or hard core, that can bring technological know-how, management talent and stability to the enterprise.

In this case, however, BMCE's "noyau dur" will be the consortium of Moroccan companies and international banks which will bid for the whole 26 per cent stake.

At least half the stake should be held by Moroccan companies and a minimum of 5 per cent must be held by one or several foreign banks.

No change of management is envisaged and no single institution, foreign or domestic, will exercise control or even have significant influence on the bank's board.

VAR adds clarity to the risk debate

By Rod A. Beckstrom

The debate about derivatives risk which has involved regulators, legislators and market participants in recent months has proved the old maxim to be correct: "the devil is in the details".

Yet derivatives are not so complex as to defy risk measurement techniques and statistical methods used regularly in science and commerce.

DERIVATIVE INSTRUMENTS

There are signs that a method geared to measure this complexity – known as value at risk, or VAR – is winning wider acceptance from the derivatives industry and its regulators.

VAR is a method of assessing risk which uses standard statistical techniques employed routinely in many other fields, including physics, chemistry, manufacturing and computer-aided design (CAD).

Its adoption – which seems inevitable – should give the derivatives industry and its regulators an objective and an easy measure of risk.

In the past, the assessment of derivatives risk, or even of financial risk in general, has been hampered by an absence of a universally accepted technique for measuring the loss potential within a particular transaction or across an entire portfolio.

Older means of evaluation, such as gap analysis and accounting simulations, are too imprecise to measure trends in today's fast-moving and complex financial markets, and do not meet tougher regulatory and accounting demands.

These older techniques are inadequate in two ways: first, they define instruments as mere line item entries on a balance sheet; second, they value instruments through accrual accounting techniques.

By contrast, VAR provides a more dynamic framework which looks at risk as it evolves over time, rather than providing a static snapshot of a portfolio or balance sheet.

In technical terms, VAR measures the daily statistical variance of the value of an entire portfolio. Once any manager understands the variance, or volatility, of a portfolio, it is possible to estimate the probability of different levels of gains or losses occurring.

VAR assumes that, on average, changes in the value of a portfolio are random and can be estimated largely by using the normal probability distribution function. By employing basic statistics, the estimated standard deviation, or volatility of the market value of the portfolio can be calculated.

VAR takes into account the portfolio's standard deviation, or volatility, a time period, and a "confidence interval". The confidence interval can be defined as the probability of avoiding a loss equal to or greater than the value of risk over the time period.

For example, a portfolio might be worth $1bn. The value at risk of the portfolio may be $20m overnight with a confidence interval of 5 per cent. This means that with a 5 per cent probability – or a probability of once every 20 days on average – that the portfolio's value will fall by more than $20m. On all other days, the portfolio will increase in value or suffer a loss of less than the value at risk.

Another way of approaching VAR is to imagine pushing historical prices through a portfolio and then revaluing the portfolio each day. The daily change in the portfolio's value is then computed through time and a time series built up.

The standard deviation or volatility, of the time series is then calculated. Once the standard deviation is known, it is easy to estimate the probability of a given loss over the next day or any other time period.

Different models from the historic simulation model described above can be used for computing VAR. However, the historic simulation approach is universal and applicable to all instruments and all market price risk factors, whether interest rate, foreign exchange, equity or commodity-based.

VAR, like other approaches to risk measurement, provides only an estimate, but one which is grounded in history and derived from superior techniques and theory.

The fact that VAR is an estimate does not lessen its value and usefulness any more than similarly informed estimates do in other areas of commerce and science. The beauty of VAR is that it can be expanded beyond portfolio risk evaluation to encompass the whole balance sheet and to measure return on risk for the operations of an entire firm.

VAR's ultimate reward lies in advancing the risk debate about derivatives down a more constructive path.

Mr Beckstrom is chief executive officer of CATS Software Inc, a supplier of software for derivatives finance, based in Palo Alto, California.

Intel takes $475m charge for Pentium flaw

By Louise Kehoe in San Francisco

Intel, the world's largest manufacturer of semiconductors, reported record operating results for the fourth quarter, offset by a charge of $475m, or 70 cents a share, to cover the costs of replacing flawed Pentium microprocessor chips.

Fourth-quarter net income was $372m, or 86 cents a share after the charge, down 37 per cent from $594m, or $1.35, in the fourth quarter of 1993. Revenues for the quarter were $3.23bn, up 35 per cent from $2.39bn a year ago.

Operating results were in line with Wall Street expectations, but the charge was larger than most analysts had predicted. Intel announced last month that it would replace, upon request, Pentium chips that contained the flaw, which can create errors in division calculations.

Intel maintains that such errors are likely to occur only once in every 9bn calculations. However, a public outcry over the problem, fuelled by an announcement from IBM that it considered the chip error more serious, forced Intel to offer to replace the chips. The offer remains in effect for the lifetime of personal computers containing the chips.

The $475m charge covers replacement costs, materials and the write-down of the company's inventory of the flawed Pentium microprocessors.

Intel said that it believed the charge would be sufficient to cover all associated costs. The company also announced that the flaw had been eliminated from all Pentium chips now being shipped.

The rapid transition to the corrected chip was achieved by cancelling holidays, said Mr Andrew Grove, president and chief executive.

"The Pentium processor divide problem has been a learning experience for Intel. In the end, I think it will strengthen the company by improving our policies and infrastructure for serving customers," he said.

In spite of the negative publicity surrounding the Pentium flaw, unit shipments doubled compared with the previous quarter, Intel said.

For the full year, Intel revenues totalled $11.52bn, up 32 per cent from $8.78bn in 1993. Net income declined slightly to $2.29bn from $2.30bn for the previous year, after the fourth-quarter charge.

Earnings per share rose to $5.24 from $5.20 in 1993.

Recovery continues at BankAmerica

By Richard Waters in New York

BankAmerica, the second-biggest US banking group, continued to register its steady recovery from the long recession in its home base of California as it reported 1994 results yesterday.

After-tax profits rose 11 per cent to $2.2bn. However, the bank's return on equity, at 13.2 per cent (up from 12.9 per cent the year before), remains below that of most of the other super-regional banking groups.

Mr Richard Rosenberg, chairman, said that the bank had met its most important financial objective of the year, to bolster its earnings per share. These rose to $5.36, from $4.79 in 1993.

He said the next goal was to maintain this momentum while improving the bank's return on equity.

The 1994 results came on the back of a 3 per cent rise in overall revenues, to just over $11.2bn.

Net interest revenue climbed nearly 7 per cent, to $7.1bn, on the back of higher interest-earning assets and lower bad debt provisions. This was offset by a slight fall in the net interest margin, which in the final three months of the year was 4.53 per cent, some 10 basis points lower than a year before.

Fourth-quarter net income of $591m, or $1.40 a share, was up from $496m, or $1.21, a year ago.

AMR cuts losses to $123m in fourth term

By Richard Tomkins in New York

AMR, parent of American Airlines, yesterday reported heavy after-tax losses of $123m for its fourth quarter to December. It was hit by the suspension of its commuter flights in the northern US and a restructuring charge of $278m.

However, the figure marked an improvement over the comparable period's net losses of $253m, largely because the figures in the year-ago period were hit by a five-day flight attendants' strike in the US that cost the airline $190m.

AMR said the $278m special charge, which cost $174m after tax, related to employee severance and other restructuring activities. In August, it announced a plan to cut annual labour costs by $750m, starting with cuts in its non-unionised management and administrative staff.

The company suffered the effects of the suspension of its American Eagle operations at Chicago and Raleigh/Durham over the Christmas and new year season. This happened because the airline transferred its ATR commuter aircraft south after the Federal Aviation Administration ordered they should not fly in icy weather, and the pilots of the replacement aircraft demanded extra cold-weather training.

AMR, which last October surprised analysts with an unexpectedly strong third-quarter result, said it had continued to see good demand in most markets. It flew 1.2 per cent fewer seat miles but filled them with 11.4 per cent more revenue passenger miles, producing an increase in the load factor factor to 65.5 per cent from 58.1 per cent.

Revenues rose to $4bn from $3.59bn and losses per share fell to $1.70 from $3.55. For the full year, net losses of $110m turned into net income of $228m. Mr Robert Crandall, chairman, said 1994 was a much better year than 1993 but improvement was still needed.

US Nintendo files suit alleging Samsung helped video pirates

By Louise Kehoe in San Francisco

Nintendo of America, the US arm of the leading Japanese video game manufacturer, has filed a suit alleging that Samsung, the Korean chip maker, is supplying memory chips containing Nintendo software to counterfeiters of the Donkey Kong Country video game.

Nintendo charges that hundreds of thousands of illegal copies of copyrighted video games contain Samsung components. The counterfeit games have been found in Asia, Latin America, Europe, the Middle East and the US, Nintendo said. The illegal copies often sell at half the regular retail price.

Samsung had supplied the components to at least one of two Chinese government affiliated video game "pirate" manufacturers, responsible for "massive counterfeiting of video games", Nintendo said.

Samsung said that it has no knowledge of any counterfeit use of its chips and that it deplores counterfeiting. It said on a previous occasion, Nintendo had brought a case of alleged pirating of video games to Samsung's attention, and Samsung immediately discontinued its relationship with its customer. If any futher misuse of intellectual property is brought to its attention, Samsung would take a similar action, the company said.

The lawsuit, filed yesterday in Seattle, seeks termination of illegal production, seizure of all inventories, full information on the network and extent of illegal distribution, monitoring of future production, monetary damages, and other relief.

According to the lawsuit, Samsung illicitly manufactured the chips which contain software for the video game. The Korean company is the world leader in the supply of read-only memory chips, which are used in a wide variety of electronic equipment, including video game cartridges.

Earnings at US West advance 55% to $409m

By Tony Jackson in New York

US West opened the full-year results from the Baby Bell regional phone companies with a 55 per cent jump in net earnings to $409m in the final quarter, helped by the flotation of TeleWest, its UK joint venture.

Excluding $105m on the share sale and other one-off profits, quarterly earnings were up 8 per cent at $284m.

Earnings per share were unchanged at 62 cents.

For the year as a whole, sales were up 6 per cent at $10.95bn and net income up 9 per cent (excluding exceptionals) at $1.23bn.

Earnings per share, depressed by the issue of new shares, were down 0.4 per cent at $2.72.

In the company's traditional telephone business in the midwestern US, earnings for the year were up 10 per cent at $1.12bn on sales up 4 per cent at $9bn.

The number of access lines rose by a record 4 per cent, and total minutes of use rose 9 per cent.

In wireless telephony in the US, the company increased its number of subscribers by 61 per cent to 968,000.

Last year, US West merged its cellular business into a joint venture with AirTouch of California, and formed a further cellular alliance with fellow Baby Bells Nynex and Bell Atlantic.

Subscribers to US West's international cellular joint ventures in the UK, Hungary, the Czech Republic, Slovakia and Russia almost tripled over the year to 367,000.

The UK mobile phone venture with Cable & Wireless, Mercury One-2-One, "continues to exceed customer growth expectations", the company said.

TeleWest, the UK joint venture in combined cable and telephony, increased the number of cable subscribers by 42 per cent to 320,000 and its telephone lines by 94 per cent to 271,000.

US West's partner is Tele-Communications Inc (TCI), the largest US cable company.

Strong sales lift Tandem in first quarter

By Louise Kehoe

Tandem Computers reported an 11 per cent increase in revenues for its first fiscal quarter, ended December 31. It was lifted by strong sales to communications companies and the financial sector.

Revenues for the quarter were $534.6m, up from $475.6m in the first quarter of fiscal 1994. Net income rose to $35.2m, or 30 cents a share, from $24.9m, or 22 cents in the same period last year when it recorded a gain of $23m, or about 20 cents a share from the sale of a business unit.

"Our product and marketing programmes have spurred three quarters of strong growth in our core server business," said Mr James Treybig, president and chief executive.

"Our computer product revenues grew 24 per cent compared with the same period last year," he said.

Sales to communications companies represented 36 per cent of Tandem's revenues, Mr Treybig said.

Massively parallel computers contributed to strong sales to financial institutions.

McDonnell Douglas improves 50%

By Maggie Urry in New York

Record results from military aircraft helped McDonnell Douglas, the aerospace group which appointed a new chief executive last September, to fourth-quarter earnings of $1.39 a share compared with $1.21, excluding one-off items, in the same period of 1993.

For the full year, earnings were $5.05 a share, up 50 per cent from $3.37 in 1993. Net earnings for the fourth quarter were $165m, compared with $143m in 1993, and for the year totalled $598m, up from $396m.

Strong cash flow also enabled a reduction in debt in the aerospace operations to $1.27bn at December 31 1994, from $1.63bn at the end of 1993, even after a $85m share buy-back and a $165m additional tax payment. Group interest charges for 1994 were $141m, down from $224m in 1993.

The group's firm order book declined over the year to $17.5bn from $19.4bn as demand for commercial aircraft remained soft worldwide.

In the fourth quarter the military aircraft division made operating earnings of $207m, up from $180m.

The commercial aircraft division continued profitable in spite of lower deliveries in 1994, in part thanks to reduced development costs.

This division's earnings were $12m, up from $2m in the same quarter, although revenues fell 39 per cent to $800m.

However, earnings from the other two divisions were lower. The missiles, space and electronic systems business made fourth-quarter earnings of $66m, down from $78m. Financial services earnings were $7m, compared with $22m, in the quarter.

The group has recovered from losses in 1990 but still ranks third in commercial aircraft, after Boeing and Airbus Industrie, while military sales were thought to be under threat from cuts in defence spending.

Union Pacific lifts Santa Fe bid

By Richard Tomkins

The bid battle for Santa Fe Pacific, one of the biggest US railway companies, reached what could turn out to be its climax when Union Pacific, one of the two rival bidders for the company, again raised its offer.

Union Pacific said it would increase its offer price to $18.50 in cash for all of Santa Fe's shares, valuing the company at $3.6bn. The shares would be put into a voting trust pending the authorities' consideration and approval of the bid.

The offer represents a considerable improvement over Union Pacific's last offer. This was a two-part bid consisting of $17.50 a share in cash for 57 per cent of Santa Fe's stock and the balance in a stock swap, valuing the company at about $3.3bn.

It could also prove more tempting to Santa Fe's shareholders than the most recent offer from Burlington Northern. This put a higher value on Santa Fe – about $3.8bn – but shareholders would get only one-third of the sum in cash.

They would also have to await regulatory authority approval of the bid before they could exchange the other two-thirds of their chares for Burlington stock.

Santa Fe first agreed to a friendly merger with Burlington in June in a deal worth $2.7bn, but a bid battle broke out when Union Pacific countered with a hostile offer.

● Santa Fe yesterday reported net income of $46.3m on continuing operations for its fourth quarter to December, down from $53.1m in the comparable period. Traffic revenues were up but the company said it had spent $13.7m, pre-tax, on its struggle to merge with Burlington Northern.

NEWS DIGEST

Israel clears way for sell-off of chemicals group

Israel yesterday cleared the way for the sale of Israel Chemicals, the highly profitable state-owned chemical and fertiliser company, writes Julian Ozanne in Jerusalem.

It added that it was extending bids for a controlling stake in the company, originally due to close today, to early February.

The move follows reports that Mr Victor Medina, chairman of Israel Chemicals who has been pressing the government for a speedy privatisation, plans to announce his resignation today because of delays in selling the company and after long-running disagreements over government policy.

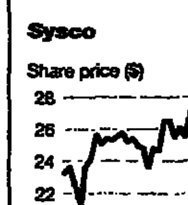
Mr Medina's threat may have encouraged the government to tackle legislative obstacles to privatisation, which centred on the exemption of the Dead Sea Works, a subsidiary of the company, from environmental and planning regulations around the Dead Sea. The government said yesterday it had worked out a compromise under which Dead Sea Works will only have to abide by some of the regulations.

The extension of the bid deadline for 15 per cent to 24.9 per cent of the company, was partly to allow management to complete wage negotiations.

At least five groups are competing to buy a controlling stake in the company including GAF Corp of US; Koor Industries; Israel Corp, owned by Mr Shaul Eisenberg, and US entrepreneur Mr Ted Aronson.

After the private placement of the controlling stake the government will sell a further 22 to 32 per cent by global public offering bringing the government's stake down from 75 per cent to its goal of 28 per cent. The government is expected to raise $1.3bn from the two sales.

Sysco profits advance 14% in second quarter



Source: FT Graphite

Sysco, the biggest US food service company, yesterday reported a 14 per cent increase in net income to $63.5m in its second quarter to December, writes Richard Tomkins. Sales surged by 13 per cent to $3bn and earnings per share rose 17 per cent to 35 cents. Sysco distributes food to restaurants, hotels, schools and other places where people eat away from home.

Efficiencies in procurement and distribution resulting from its size have enabled it to take a greater share of an expanding market, producing 18 uninterrupted years of growth in earnings per share.

Mr Bill Lindig, the company's recently-appointed chief executive, said that after excluding the modest effects of food price inflation of 1.5 per cent for the quarter, real growth in sales exceeded 11 per cent. The gains were broad-based across the US, he said.

Mr Lindig was also optimistic about the outlook for the second half of its fiscal year.

Dresdner Bank to open two Vietnam offices

Dresdner Bank of Germany is stepping up its presence in south-east Asia by opening up two representative offices in Vietnam, writes Judy Dempsey in Bonn.

The offices, in Hanoi and Ho Chi Minh city, will be targeted at the growing number of German enterprises seeking contracts, particularly in infrastructure projects, as well enabling the bank to tap into the local economy.

The move coincides with, but is independent from, a recent agreement between Hanoi and Bonn to resume export credit guarantees and a development aid programme.

Both were suspended after Hanoi refused for several years to take back the 40,000 or so Vietnamese refugees living in Germany.

Dresdner has branches in Beijing and Shanghai, and has branches or representative offices in 13 countries in south-east Asia.

The bank said yesterday that Dresdner could not afford to ignore the changes taking place in Vietnam which offered great opportunities.

Travelers ahead at $1.3bn for year

Travelers, the US financial services group created at the end of 1993 when Primerica bought the outstanding shares of the Travelers insurance company it did not already own, reported after-tax profits for last year of $1.3bn on revenues of $18.5bn, writes Richard Waters. This compares with net income for 1993 of $916m on revenues of $6.8bn.

However, the earlier year's figures do not consolidate all of the old Travelers business, and only include the Shearson retail broking business from when it was acquired by Travelers five months before the year-end.

Travelers' latest results reflect the difficult earnings environment for stockbrokers last year. Smith Barney, its broking subsidiary, saw its earnings halve in the latest quarter, to $72.2m, on lower commissions and investment banking revenues (full-year comparisons for Smith Barney were not meaningful because of the Shearson purchase).

The latest figures were struck after an $87.8m charge to cover losses in Travelers' investment portfolio. This was exactly matched by $87.8m gains from the sale of various subsidiaries.

For the fourth quarter, earnings per share were 99 cents, down from $1.19 in the year-ago period, reflecting the higher number of shares in issue to pay for the Travelers acquisition. Full-year earnings per share were $3.86, up from $3.74.

ING buys 5% stake in Krakow-based bank

International Nederlanden Bank (ING) has bought a 5.8 per cent stake in Krakow-based Bank Przemyslowo Handlowy (BPH) which is being privatised, writes Christopher Bobinski in Warsaw. The Dutch bank already has a 28.5 per cent share in Poland's Bank Slaski.

The purchase, worth $16m, was made through an initial public offer which closed last week and which also saw the Bank Slaski buying a 4.8 per cent share in BPH.

Another 2.5 per cent of BPH stock was taken up by the listed Wielkopolski Bank Kredytowy (WBK) in which the Allied Irish Bank Group has said it intended to take a strategic stake.

All three of the Polish banks involved are among the country's largest and were hived off from the central bank in 1989.

The banks' share purchases helped salvage the offer which appears to have attracted scant interest from domestic investors.

However, a promise by the European Bank for Reconstruction and Development to buy 15 per cent of the equity and Daiwa Europe arranging for four investment funds to take up a further 4.9 per cent has meant the government has succeeded in placing the 50.2 per cent of the BPH shares put on sale.

BP to sell US-based Carborundum unit

British Petroleum is selling its US-based Carborundum subsidiary, part of BP Chemicals. The company, which has worldwide sales of $340m and 3,500 employees, claims to be a market leader in heat-resistant materials such as refractory furnace linings, writes Tony Jackson.

Mr Luiz Kahl, Carborundum chief executive, is working on a management buy-out and has stepped down from the company to avoid a conflict of interest. BP said it had received several other offers, and expected to announce the successful bidder in early February.

BP said it had decided to sell Carborundum last September after conducting a study to determine its value and to review the alternatives of flotation or retention. No indication of bid values was given.

Commercial Union gives Victoire price

Commercial Union, the UK's largest insurance company, yesterday announced a final price of FFr11.9bn ($2.2bn) for Victoire, the French insurance company it acquired last year, writes Andrew Jack.

The payment is lower than the FFr12.3bn originally indicated last October, reflecting the deteriorating performance of the financial markets, to which the final valuation was pegged.

The price covers CU's acquisition of the 99.46 per cent of the shares in Victoire, now known as Commercial Union France, which were held by Compagnie de Suez.

CU will make a public offer for the remaining 0.54 per cent of the Victoire shares held by other shareholders in the next few days following approval of the price by the COB, the French markets watchdog.

This is expected to be about FFr875, reflecting the price paid to Suez and and interest charge on the shares since the time of the acquisition.

CU said the final price for Victoire reflected poorer financial performance in the value of net assets for the six months to June 30 last year, partly offset by slightly higher than expected profits for the period.

LEGAL NOTICES

Pennine Lifts Limited
(Company No. 2501449)
Registered in England & Wales
Principal Place of Business:
Unit 2, Goldthorpe Industrial Estate
Goldthorpe, Rotherham, S63 9BL

NOTICE IS HEREBY GIVEN, pursuant to Section 48 (2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at Quaker Meeting House, St James Street, Sheffield S1 2EW on 24 January 1995 at 11.00am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:
(a) they have delivered to us at the address shown below, by no later than noon on 23 January 1995, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.
D J Stokes and M J Moore, Joint Administrative Receivers, Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET.
13 January 1995.

Stock Exchange says disclosure standards may need to be changed

SBC cleared of rules breach

By David Wighton

The London Stock Exchange yesterday cleared Swiss Bank Corporation, adviser to Trafalgar House, of any breach of its rules in controversial derivatives dealings ahead of Trafalgar's £1.2bn ($1.87bn) bid for Northern Electric, the regional power distributor.

However, the exchange said some rule changes might be required to cope with the increasing use of derivatives in London.

The Northern camp attacked the exchange's statement last night. One adviser said: "The Stock Exchange appears to have taken a very narrow view of the issues."

The exchange would not comment on whether it had sent details of the case to the Department of Trade and Industry, the prosecuting authority for breaches of the insider dealing regulations.

Mr Rodolfo Bogni, SBC's London chief executive, said last night that he had not been notified and had no reason to believed that details had been passed to the DTI.

The investigation stemmed from controversial derivatives contracts struck between Swiss Bank and Trafalgar ahead of the Northern bid. These "contracts for differences" will yield Trafalgar an £8m profit, thanks to the subsequent rise in the Northern share price, without it having to buy Northern shares itself.

After accepting the contracts, Swiss Bank increased its stakes in Northern to 3.46 per cent and in Yorkshire Electricity to 8.2 per cent. But it did not reveal them, on the grounds that they were market making positions and so exempt from disclosure requirements.

Leading City institutions have called for a review of the rules governing the disclosure of share stakes held by market makers, because the definition of market making seems so wide.

The statement said: "The exchange intends to consult member firms and other parties as to whether further rules need to be introduced concerning the impact of the use of derivatives or derivative-related products on the London Stock Exchange's equity markets. In particular, it will be examining whether additional disclosures need to be made in the public interest."

It added: "On the basis of the review of the information available to date, the exchange is satisfied that there are no reasonable grounds for action within its own area of regulatory responsibility in respect of any of the above-mentioned dealings."

The Securities and Futures Authority said it was continuing its inquiries into Swiss Bank's Chinese walls – which separate its corporate finance and market-making arms.

Swiss Bank said: "We are grateful to the exchange for the speedy and unusual step of issuing a statement on a matter on which misinformation might otherwise have precluded the orderly conduct of legitimate financial and trading activities."

First Leisure dances to £37.5m

By David Blackwell

Almost 7m dancers filed into First Leisure's discotheques last year, helping to boost profits by more than 22 per cent.

The group, which has interests in 10-pin bowling, tourist attractions and bingo, also announced that Mr Michael Grade, chief executive of Channel 4, is to become its non-executive chairman. Lord Rayne, 76, one of the founders of the group and chairman since 1992, is to retire on March 14.

Pre-tax profits in the year to October 31 were £37.5m, ($59m) including £1.5m from asset disposals, on total turnover of £141.8m. The discotheque division was the biggest contributor, with operating profits 23 per cent ahead at £17.3m on sales up 13 per cent to £50.1m. In the previous year, group profits were £30.7m on sales of £121.8m.

The group, which has 36 discotheques, is UK market leader, Mr John Conlan, chief executive, claims.

Operating profits from resorts rose from £11m to £12.9m on sales of £45.7m (£41.9m).

The sports division's operating profits fell from £13.7m to £11.2m, although sales grew from £32.1m to £36.2m.

The group sees health and fitness as a key area for expansion, along with bingo. The bingo division's turnover trebled to £9.8m, giving operating profits of £2.8m (£900,000).

● **COMMENT**

First Leisure is in a strong position to expand, with gearing at just 16 per cent and interest cover of 16 times. Forecast profits of £41m and earnings of 18p for this year give a prospective multiple of almost 16, which looks high. However, the real benefits of the latest plans are unlikely to come through strongly for three or four years – so investors who accept that the targeted areas are ripe for growth should not be too hidebound by this year's numbers.

LEX COMMENTS

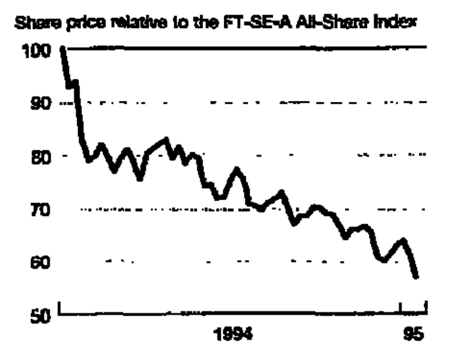
Derivative loophole

The London Stock Exchange yesterday produced a confusing statement about Swiss Bank Corporation's controversial dealings in electricity securities. The exchange's statement clearing SBC of breaching rules for which it has responsibility addresses only part of the controversy. Few thought the rules requiring disclosure of stakes of over 3 per cent had been broken. Market-maker privileges exempted SBC from revealing its 8 per cent stake in Yorkshire Electricity. It is some comfort that the exchange will now review this exemption, though investors will not be satisfied until the rules are actually changed.

The bigger question is whether SBC breached insider dealing rules in signing an innovative derivatives contract with Trafalgar House prior to its Northern Electric bid. SBC claims its corporate finance arm, which signed the contract, did not encourage its market-making arm to buy electricity shares to hedge the bank's position. That may be so, but the matter clearly needs thorough investigation. If there was no wrongdoing, the loophole SBC has found must be closed. Otherwise, any company possessing price-sensitive information about its own plans could profit from it by signing derivatives contracts with its corporate advisers which could then offload the risk. The exchange may not be responsible for prosecuting insider dealing, but it will have let investors down if it has not passed its SBC file to the Department of Trade and Industry. Yesterday's statement provides no guarantee that it has.

Kingfisher

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Kingfisher

Those who hoped that yesterday's trading statement from Kingfisher would be a foul-up free zone were disappointed. The glimmers of good news at Darty, B & Q and Superdrug were as nothing compared to the dire developments at Comet and Woolworths.

Comet's fall into losses and the predicted one-third drop in Woolworths' profits provide uncomfortable evidence that Kingfisher is not rising to the operating and strategic challenges faced by these core businesses. They are being ripped apart by competition on all sides, and the management does not appear able to put things right. Nowhere is that more evident than at Woolworths, which stumbled in Christmas 1993 and fell flat on its face again this time round. The latest problem is not overstocking, but malfunctioning computer systems, poor product mix and rising overheads: a combination which seems to owe as much to management as to teething problems with computers. The likely £150m provisions to cover restructuring and expansion at B&Q may be an attempt to wipe the slate clean leaving room for the financial record to improve from next year.

The sharp drop in the share price yesterday, after a year in which Kingfisher was the worst performing FT-SE 100 index constituent, shows investors in an unforgiving frame of mind. A change of sentiment is unlikely before the group unveils details of accelerated restructuring plans for Comet and Woolworths in March. Even then, the management may not quickly be given the benefit of the doubt.

Copyright buys rest of Dutch arm

Copyright Promotions Group, which came to the market in August, is acquiring the remaining 50 per cent stake in European Licensing Group, its lossmaking European licensing joint venture.

Copyright, best known for handling the marketing rights to cartoon characters such as the Flintstones, Mr Men and Thunderbirds, also reported a fall in pre-tax profits to £305,000 ($475,800) against £443,000 for the six months to October 31.

ELG, based in Amsterdam, is jointly owned by Agentur für Urhebernebenrechte Merchandising München (MM), part of Kirch Gruppe, the German media and publishing group. Following completion, ELG headquarters will be moved to Copyright's London office.

Copyright is paying a nominal Fl 1 for the stake and MM has agreed to assign Fl 6.11m ($3.55m) owed by ELG to MM, to Copyright for another guilder. MM has agreed, subject to certain terms, to pay ELG Fl 695,000 in cash in connection with its exit from the joint venture.

NEWS DIGEST

SelecTV falls but sees growth

SelecTV, the independent television production company, reported pre-tax profits down from £614,000 to £517,000 ($807,000) for the six months to September 30.

The USM-quoted company, whose programmes include Birds of a Feather and Lovejoy, both broadcast on BBC, said production activities continued at a high level however deliveries would not take place until the second half.

The many awards for Tracey Ullman Takes on New York had prompted Home Box Office, the US cable channel, to order a series to be produced later this year.

SelecTV said its 15 per cent stake in Meridian Broadcasting, the independent television contractor for the south and south east of England, continued to make progress and would be helped by the improving economy.

Hamleys trading

Hamleys, the toyshop, said yesterday that strong Christmas trading had culminated in its store in Regent Street, London, breaking its record for a single day's trading.

The company, which floated in May, said that strong sales had continued since the July midterm stage. Up to the start of the Christmas period sales were 8.8 per cent ahead of last year. In December sales were 17 per cent ahead and margins were maintained.

With the contribution from its 24 recently introduced concessions in department stores, total turnover for the five months was 30.4 per cent ahead. The shares yesterday gained 5p to 192p. The flotation price was 185p.

Salvesen expands

Christian Salvesen, the distribution and specialist hire company, has acquired a 40 per cent stake in Wohlfarth Group, a Lep subsidiary which provides logistics services to German industry.

Salvesen's initial investment is DM5m ($3.2m) and it has an option to increase its holding to 100 per cent between 1996 and 2001.

Depending on when the option is exercised the total consideration, including shareholder loan redemption, will be between DM11.8m and DM60m.

The stake will be held through Wohlfarth Swift Holding, a new company in which the senior management and employees of Wohlfarth will have a 20 per cent interest and Candover Investments and various funds managed by the Candover Group will hold 40 per cent.

Wohlfarth made pre-tax profits of £1.7m on turnover of £85.6m in 1993.

Cobham disposal

Cobham has sold Markhorst Groep, its lossmaking Dutch subsidiary, for Fl 3.5m ($2m).

The sale of the pulp processing machinery manufacturer, which supplied the food and packaging industries, means Cobham will take an exceptional charge of £1.7m in its 1994 results, to which will be added goodwill of £1.3m previously written off.

GPG disposal

Guinness Peat Group, the UK investment vehicle of Sir Ron Brierley, the New Zealand entrepreneur, has disposed of First Medical Corporation (MedicAid).

The New Zealand-based medical insurance company has been sold to Aetna Health for NZ$11m (US$7m). The proceeds will be used for working capital.

MedicAid incurred a net loss of NZ$598,000 on net assets of NZ$2.99m in the year to May 31 1994.

Photo-Me slips 4% to £10m

By Peter Pearse

Shares in Photo-Me International tumbled 29p to 234p yesterday as the world's largest photo-booth manufacturer and operator announced a 4 per cent profits decline in the six months to October 31.

Mr David Miller, group managing director, said: "I confidently expect the second half to be better than last year's", although he drew attention to competition in the market.

He ascribed the profits fall – by £430,000 to £10m ($15.6m) pre-tax – to a three-month hiatus in the installation of the new PhotoVision machines, which are replacing the old PMI models. After last January's merger with KIS of France, a photo-booth manufacturer, PMI had expected to have 400 or more installed in the half, but technical improvements required by PMI and software problems halted the replacement programme.

Other reasons for the expected second-half improvement included merger benefits and price increases.

A lossmaking company in New Zealand was sold and there were two other subsidiaries "in intensive care" to be dealt with. Turnover in the half rose 6 per cent to £96.3m. Operating revenues from worldwide operations and manufacturing sales of about £23m – mainly generated by KIS – rose by similar proportions.

Almost £100m of the group's annual sales come from three markets – the UK, continental Europe and Japan.

Mr Miller was keen to exploit the expected growing demand for "need" pictures in former eastern bloc countries. "For example, they are now citizens of Georgia, not the USSR, and documents will have to be changed."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 19.01.95: Pool purchase price £/MWh	Final Prices for Trading on 22.12.94: Pool purchase price £/MWh	Final Prices for Trading on 22.12.94: Pool selling price £/MWh
0030	24.34	9.56	11.56
0100	28.25	29.00	30.99
0130	28.75	29.87	31.86
0200	29.75	29.87	31.86
0230	28.25	29.00	30.99
0300	28.25	9.56	11.55
0330	28.25	9.56	11.55
0400	28.25	9.56	11.55
0430	9.67	9.56	11.55
0500	9.67	9.56	11.55
0530	23.05	29.59	31.58
0600	23.05	29.59	31.58
0630	23.05	29.59	31.58
0700	30.62	29.79	31.77
0730	34.26	32.82	34.81
0800	35.77	32.87	34.87
0830	78.34	33.10	35.20
0900	45.80	41.28	43.48
0930	48.12	48.37	50.74
1000	82.54	48.49	50.88
1030	81.94	48.23	50.58
1100	46.04	41.26	43.51
1130	46.18	41.12	43.34
1200	46.00	41.02	43.20
1230	45.00	47.55	49.88
1300	36.42	47.35	49.42
1330	33.55	32.90	34.91
1400	33.04	30.70	32.70
1430	32.76	30.68	32.68
1500	32.76	30.69	32.68
1530	34.00	30.77	32.81
1600	48.60	33.92	37.13
1630	131.31	59.84	68.83
1700	326.95	99.71	113.79
1730	444.11	109.11	124.13
1800	429.37	95.93	108.18
1830	248.13	62.39	69.42
1900	143.85	50.30	54.34
1930	79.53	40.04	42.65
2000	50.48	36.32	38.48
2030	40.28	33.05	35.06
2100	34.44	33.01	35.00
2130	31.28	33.00	34.99
2200	30.70	30.27	32.25
2230	24.24	29.79	31.77
2300	24.63	29.78	31.77
2330	10.51	28.66	30.65
2400	10.51	28.66	30.65

"Eureka". The solution to the puzzle on page 14.

COMPANY NEWS: UK

Blenheim hit by US and French trading

By Geoff Dyer

Shares in Blenheim Group fell 15 per cent yesterday after the exhibitions organiser announced a £4m restructuring charge and warned of difficult trading conditions in France and strong competition in the US. The shares initially dropped 59p to 175p, but later firmed to 199p, down 35p on the day. They are now a third of their March 1993 price.

The announcement followed a profit warning in September and two separate downgrades by house broker Barclays de Zoete Wedd in 1993.

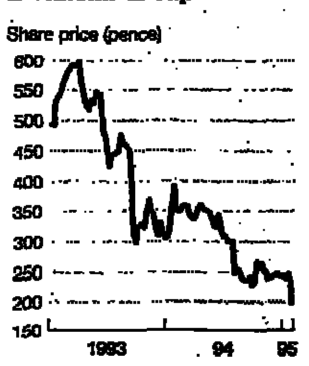
Pre-tax profits for 1994 are believed to be just above £30m, against £45.2m previously. Analysts had been expecting between £33.5m and £38m.

Mr Christopher Crowcroft, finance director, said the French operation, which contributes more than 40 per cent of turnover, would not recover until 1996.

Twenty people were made redundant in the autumn and a further 30 redundancies are planned, resulting in a charge of £1.75m.

Mr Crowcroft said the US business had become "too unwieldy and unresponsive". A restructuring charge of £750,000 will be taken this year, although details have not been finalised. Revenues from networking technology exhibitions in Dallas and Boston were also sharply lower. The main factor was the withdrawal of sponsorship by Novell, the leading supplier of software for computer networks.

Mr Crowcroft said the dividend would be maintained for 1994. In 1993 a total of 10.25p was paid.



Source: FT Graphite

● **COMMENT**

BZW has reduced its forecast for 1995 pre-tax profits from £40m to £34m, at a prospective p/e of 11. Blenheim hopes it has now put a floor under its price. But these additional worries will in fact create a ceiling until the market is confident all the bad news is out of the way.

Austria's Stega drops listing plan

By Tim Burt

Stega Pharmaceuticals, the Austrian biotechnology company, has abandoned plans for a London listing after failing to win sufficient financial backing to develop a "revolutionary" new vaccine.

Proceeds from the float had been earmarked for clinical trials of its cytokine-releasing agent, designed to treat herpes and chronic skin disorders by stimulating the immune system.

Although Stega said preliminary tests had shown that its vaccine was 10 times more effective than existing immune system stimulants, its findings were greeted with scepticism by pharmaceutical experts. Their reservations may have deterred financial institutions from supporting the listing.

The company said it had withdrawn the offer of 1.9m shares at 400p after a number of institutions, particularly in mainland Europe, responded coolly to its claims. Had it gone ahead, the issue would have valued Stega at £14.4m ($22.5m) and raised £6.7m to invest in clinical trials. But it failed to raise the £5.5m minimum needed to proceed.

Stega is expected to seek private capital to fund further development of its cytokine agent, known as Cravac.

Comet and Woolworths curb Kingfisher

Roderick Oram on why analysts have downgraded profit forecasts for the retailer

The Christmas Eve clamour at Woolworths' Berwick-upon-Tweed store would have reassured any wavering retailer that Christmas had come at last, albeit very late.

"The manager was stripped to the waist, hauling stuff out of the stock room and customers were queueing 10 deep at the counters," recalls Mr Alan Smith, chief executive of Kingfisher, Woolworths' parent.

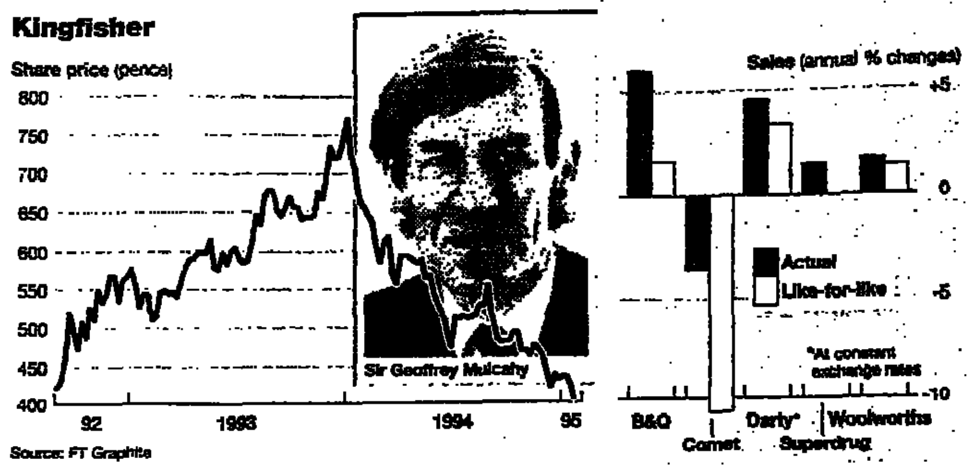
"When you get it right, the power of that 800-store chain is amazing. But we've got to hit the button more often."

That is easier said than done, analysts suggested yesterday as they sharply downgraded profit forecasts to about £280m for the year to January 31 against £309m last year. One analyst was downgrading Kingfisher's profits for the fourth time in 12 months. Its shares fell 19p to 402p.

In addition to poor trading at Woolworths and at Comet, the electrical retailer, Kingfisher said it might take a year-end charge of up to £100m to rationalise and reposition the two chains.

"The catalogue of excuses for Woolworths' performance doesn't add up to a full explanation," said Mr John Richards of NatWest Securities.

"The stock market has taken a long time to realise Kingfisher is in too many mature businesses in too many mature markets," adds Mr Nick Bubb of Morgan Stanley. "Management has spoken plausibly about strategy before, but that is no substitute for effective operational tactics, and their systems skills are below average."



Source: FT Graphite

The problems showed up vividly at Woolworths and Comet in the latest sales figures. Comet's fell a dramatic 10.6 per cent in the 23 weeks to January 7 on a like-for-like basis (excluding new stores). Woolworths' were ahead by 1.8 per cent, but operating difficulties left trading profits lower.

Comet is suffering from intensifying competition thanks to the electrical sector's rapid expansion of selling space. Its customers know it as a discounter, yet for part of 1994 in some areas it tried to hold prices to enhance margins and help pay for better customer service. It found the competitive pressure too intense and had to revert to its old policy. Meanwhile, customers were confused and sales volumes fell, according to one analyst.

Management will not be drawn on its full plans for Comet, but says it has found ways in some stores to improve its merchandising and service. These techniques will be spread throughout the chain.

In addition, it is studying how to get back into personal computer retailing, a notoriously volatile and slim-profit business. Its rival, Dixons, has long experience in the field, which it has focused in its PC World chain.

Overall, though, Comet is burdened with too many first generation out-of-town stores, which now look poorly sited or in need of refurbishment. Closure is the only option for some, and analysts expect Kingfisher to accelerate that programme. Up to 50 of the 200-plus chain might be axed, some estimate.

'Selling low-ticket items in the high street is potentially disastrous unless you can add value or fashion'

Woolworths has put its distribution problems behind it over the past two months, but overall it still needs to improve its systems, acknowledges Mr Smith, who was brought in from Marks and Spencer almost two years ago in part for such skills. "We're catching up at Woolworths," he said.

Meanwhile, the long-term strategic questions remain unanswered. The prime one is product mix. Many categories in its relatively narrow range – such as toys, confectionery, music and videos – have formidable competitors in the likes of Toys R Us, Argos and the food retailers. Others it is considering, such as newspapers and magazines, are similarly placed.

"Selling low-ticket items in the high street is potentially disastrous unless you can add value or fashion," one analyst said.

Management said yesterday that solutions to these and other issues would be unveiled in restructuring plans for the two divisions accompanying the year-end figures in March.

Analysts welcomed the promise of a clearer strategic direction and tighter operational grip, but they pointed out that the group has wrestled with many of these problems for several years.

"This may be this management's last chance to put it right," one suggested.

"We have a record of giving shareholders value," Sir Geoffrey Mulcahy, Kingfisher's chairman, said yesterday. "We'll get back on track with that."

Hammerson sells property in Calgary

By Simon London, Property Correspondent

Hammerson, the property company headed by Mr Ron Spinney, yesterday completed its sixth substantial deal since last summer, selling more than 1m sq ft of offices in Calgary, Alberta.

Hammerson will receive C$136.5m (US$97m) from Omers Realty Corporation, the property arm of the province of Ontario pension scheme, for the four office blocks and retail space which make up the Bow Valley Square development.

Bow Valley Square was built by Hammerson between 1969 and 1981 when Calgary's economy was boosted by the oil industry. However, the end of the regional oil boom in the 1980s resulted in a fall in demand for office space.

Although the 1.3m sq ft of offices are 85 per cent let, rents are far below those achieved during the late 1970s.

Hammerson said the deal had been struck close to the valuation at December 30 1993. While this year's valuation is being finalised, Hammerson does not expect a big profit or loss on the disposal.

Mr Spinney, the chief executive, said that the deal was consistent with the strategy of increasing the retail content of Hammerson's North American property portfolio. In July, the company paid £70m for two large shopping centres in Ontario.

Including this acquisition, Hammerson has spent £225m on acquisitions – including option commitments – and sold buildings worth £313m in the past six months.

● Capital Properties Partnership, a joint venture between Capital & Regional Properties and Real Ventures Property Partnership, is buying 31 properties from Norwich Union, the insurance company, for £25.3m.

The sale of the mixed office and retail portfolio is part of Norwich Union's restructuring of its property portfolio. The proceeds would be reinvested in property, it said.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beales Hunter	6 mths to Nov 30	28.1	(27)	2.39L	(1.43)	12.3L	(10.8)	2.75	Feb 24	2.56	-	[illegible]
Colorvision	6 mths to Sept 30	29.1	(27.1)	0.59L	(1.28L)	1.9L	(4L)	0.3	Mar 15	2.5	-	[illegible]
Copyright Promos	6 mths to Oct 31	2.57	(2.2)	305	(443)	2.01	(2.92)	-	-	-	-	[illegible]
First Leisure	Yr to Oct 31	141.8	(121.8)	37.5	(30.7)	18.59	(14.03)	4.9	Apr 6	4.53	7.02	[illegible]
London Clydeside §	Yr to Sept 30	25.5	(21.2)	1.41	(0.74)	9.5	(5.2)	3.5	Feb 28	3	5.3	[illegible]
Ldn Scottish Bank	Yr to Oct 25	32.4♥	(27.7♥)	6.27	(4.54)	7.8	(5.9)	2.9	Mar 23	2.37	4.1	[illegible]
Lookers	Yr to Sept 30	396.7	(363.3)	7	(5.01)	18	(12.3)	5.1	Apr 28	4.6	7.5	[illegible]
Photo-Me Intl	6 mths to Oct 31	98.3	(91)	10	(10.4)	8.82	(8.4)	1.5	Apr 7	1.5	-	[illegible]
RCO	Yr to Sept 30	47.4	(48.8)	4.41	(4.77)	27.47	(29.67)	11.05	Apr 3	10.25	16	[illegible]
SelecTV	6 mths to Sept 30	5.51	(13.7)	0.52	(0.61)	0.21	(0.29)	-	-	-	-	[illegible]
Shelton (Martin)	6 mths to Sept 30	2.34	(2.1)	0.01L	(0.09)	0.14L	(1.18)	1.25	Feb 28	1.25	-	[illegible]
Stanley Leisure	6 mths to Oct 30	154	(131)	7.84	(5.37)	9.53	(8.13)	2†	Feb 24	1.75	-	[illegible]
Investment Trusts		**NAV (p)**		**Net Earnings (£m)**		**EPS (p)**		**Current payment (p)**	**Date of payment**	**Corresponding dividend**	**Total for year**	**Total last year**
Aberforth Split	6 mths to Dec 31	254.5	(269.2)	1.32	(0.83)	4.26	(5.02)	2‡	Mar 3	2	-	8.45
Second Cons	Yr to Oct 31♠	100.5	(91)	1.4	(0.9)	4.1	(2.82)	2.3	Mar 3	2.1	3.8	2.1

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ♠Comparatives is for 11-month period. ‡Making 4p (same) to date. ♥Total operating income.

COMMODITIES AND AGRICULTURE

Way cleared for Siberia's giant gold development

By Kenneth Gooding, Mining Correspondent

The way is now clear for development of Sukhoi Log in Siberia, the world's biggest known gold deposit, according to Mr Michael Bates, new chief executive of Star Mining Corporation, the small Australian company that has 34.9 per cent of the venture.

After six years of sometimes difficult negotiations, license and secrecy agreements were signed last month which "in terms of Russian law gives us as clean and enforceable deal as it is possible to get," he said.

If all went well, a feasibility study should be completed by June, and construction of a conventional, hard rock, open pit mine would begin at the end of 1996. Mr Bates said he guessed production would be phased in with initial annual output of 300,000 troy ounces in 1998 rising to more than 2m after about 2,002.

Cash costs would be among the lowest in the industry, no more than $180 an ounce, despite the difficulties of mining in Siberia. The Lena gold fields, which contain Sukhoi Log – with its reserves of 50m ounces and resources of 100m – and several other substantial gold deposits, are in the Bodaibo region of Russia's Irkutsk Province.

The joint venture company, Lenzoloto Mining (LenaGold), in which the Russian government, with 38 per cent, and its 9,600 employees, with 17 per cent, are shareholders, owns the development and mining rights to an area of 105,000 square kilometres, about the size of England.

Star is obliged to provide the project with US$250m in the next 18 months and already has paid $25m of this. Mr Bates said in London yesterday Star would seek more capital from international investors after the feasibility study was ready. Star, at present quoted in Australia, would look for listings in London and New York and, possibly, Toronto.

There was also the possibility that LenaGold itself might be floated in London and on Russian stock exchanges "to release its full value for the Russians".

Mr Bates refused to give an estimate of the total cost of developing Sukhoi Log but analysts suggested it would be about $600m.

Mr Bates, a 49-year-old Englishman, was recruited by Star last October from Lac Minerals, the Canadian group recently taken over by Barrick Gold (formerly American Barrick). Previously he spent many years with RTZ, the world's biggest mining company, first with its Rossing uranium subsidiary in Namibia and later with Kennecott's gold operations in the US.

While Sukhoi Log is being developed, the joint venture will have cash flow from alluvial (surface, free gold) mining which has taken place for 148 years and produced at least 30m ounces of gold – making LenaGold one of the biggest gold producers in the history of the world industry.

LenaGold would see "a small profit" from these operations in 1995, according to its business plan, and would produce about 220,000 ounces attributable to the joint venture this year, rising to 300,000 by 1998.

During 1995 infrastructure would be transferred from LenaGold to the Irkutsk authorities, non-core businesses would be privatised and a bonus incentive scheme introduced, said Mr Bates.

Nearly half of Star's shares are held by the founders, who include Mr Ian MacNee, the Australian entrepreneur whose persistence finally won the joint venture agreement. Other big holders include Mercury Asset Management, 10 per cent, and ANZ Nominees, 7.6 per cent.

Bullion price rally continues

By Our Commodities Staff

The gold price continued its recent rally yesterday, closing in London at $383 a troy ounce, up $3 on the day and $11.20 above the 8¼-month low reached at the beginning of last week.

Dealers thought the market could be poised for further gains. After an afternoon fixing at $382.60 an ounce one dealer told the Reuters news agency: "If we can end the day above $383 then I think a test of $385 will be mounted in the near future and if that should break then $390 could be reached very quickly."

"I think this morning's move was sparked off by one [investment] fund, with the professionals amongst others quickly jumping on the bandwagon," he added.

Another trader said sentiment was influenced by signs of inflation in the US economy.

The silver market was also steadier. The cash price ended above its recent resistance level at $4.91½ an ounce, up 4 cents on the day.

Platinum followed gold's rally but continued to find resistance between $420 and $422 an ounce hard to break. It closed $6.25 higher at $421, a level last seen at the end of October.

North Sea oil output scales fresh heights

By Karen Fossli in Oslo

Last year was a time of mixed fortunes for North West Europe's oil and gas industry, but North Sea crude oil/natural gas liquids production scaled new heights. The total rose 18 per cent to a record daily average of 5.31m barrels, according to a report soon to be published by Edinburgh-based energy analyst Wood Mackenzie.

North Sea hydrocarbon production, including gas, advanced nearly 15 per cent to 7.44m b/d, also a record.

WoodMac said there was considerable unrest among oil companies about fiscal and licensing regimes of some North Sea producing countries which, combined with a $1.09 per barrel slump in the average Brent oil price to $15.97 a barrel, perpetuated a sharp decline in exploration activity.

The analyst noted, however, that although exploration fell to its lowest level since 1988, the success rate was up substantially on previous years. Just 33 North Sea exploration/appraisal wells were completed in 1994, excluding the UK, 13 fewer than in 1993.

In Norway, the success rate rose to 40 per cent from 15 per cent in 1993 as the discovery rate increased to 42m barrels of oil equivalent per exploration well. The success rate in the Netherlands shot up to 80 per cent from 33 per cent.

Norway saw the number of exploration/appraisal wells drilled fall by 8 per cent and the Netherlands by 57 per cent, while activity in Ireland and Denmark continued at low levels.

The number and volume of recoverable reserves upgrades for existing fields, excluding the UK, was relatively low compared with 1993, WoodMac said.

Corporate activity was lively in 1994 with a number of key deals completed in both the Netherlands and Norway and several smaller ones in Denmark, France, Germany and Ireland.

Excluding the UK, North Sea oil/NGL production last year set a new record of 2.92m b/d, representing a rise of 13 per cent. The Netherlands led the rate of increase with production up 89 per cent to 58,000 b/d while Norway set a new record at 2.67m b/d, 12 per cent up on 1993.

Oil/NGL output from the UK sector rose to 2.4m b/d, which was 25 per cent higher than in 1993, according to preliminary WoodMac estimates.

Caribbeans protest at US banana offensive

By Canute James in Kingston

Caribbean banana exporters to Europe have protested at the *US plan to retaliate against the* European Union's banana import regime because it discriminates against US producers.

They fear that the EU could be forced to change its import arrangement, reducing the region's preferential access for the fruit.

Dominica and St Lucia, two of the leading producers in the Windward Islands, which supply most of the bananas consumed in Britain, have sent letters to the US government condemning the decision of Mr Mickey Kantor, the US trade representative, to invite retaliation against European products.

Dame Eugenia Charles, the prime minister of Dominica, fears the EU may try to appease the Americans by re-examining the controversial 18-*month old arrangement.* "If they do, it means that we will suffer because if the EU enlarges the banana import quotas of the US companies, our quotas will get smaller," she says.

"We have to fight very hard to get the Americans to live up to the undertaking which they gave us during the summit of the Americas last month."

Mr George Mallet, St Lucia's trade minister, says his government is "baffled" and "extremely disturbed" by the position taken by the US trade representative.

Caribbean producers have been surprised at the latest US action, following Washington's statement last month that it would not oppose a General Agreement on Tariffs and Trade waiver of the Lomé Convention, the treaty that *allows preferential treatment* for bananas from traditional suppliers. The US statement was made amid reports that some Caribbean leaders were planning to boycott the summit of the Americas in Miami unless the US moderated its attitude to the EU banana regime.

The US government and the Caribbean exporters agreed last month to establish a committee to discuss the banana controversy, while the US trade representative continued its investigation of the claims of discrimination made by the US banana producers.

"The committee of Caribbean and US officials has not yet commenced its deliberations, yet we have this statement by the US trade representative that the conclusions arrived at so far suggest that the *European trade regime is discriminatory,*" Mr Mallet says.

Caribbean officials say that the region's producers had left the December discussions with the impression that any action by the US would be delayed until trade officials from Washington and the Caribbean had concluded their meeting.

The "climate of confidence" in the Caribbean industry that followed earlier US support for special treatment of Caribbean banana exports is in danger of being seriously eroded, Mr Mallet says. Caribbean producers are consulting with others in the African, Caribbean and Pacific group about "collective measures" to protect their European market access.

MARLET REPORT

Speculative buying lifts base metals at LME

Base metals prices ended firmer on a wave of speculative buying at the London Metal Exchange yesterday, but profit-taking at the highs capped the move.

"A lot of speculative buying early ran into inevitable profit-taking, but the afternoon closes were still very constructive," one dealer said.

The earthquake in Japan attracted early buying on perceptions that reconstruction in the affected area would boost demand for metals, particularly NICKEL, used in stainless steel. The three months delivery price for that metal tested a 4½-year high of $10,100 a tonne, helped by constructive chart patterns, and closed at $9,970, up $80.

The closure of Sumitomo's LEAD and ZINC plant in Harima leant further support, although the company has said it would meet contractual obligations. Zinc ended $15 up at $1,200 a tonne, while lead was $6 higher at $680. Traders said the market was now looking for lead to break its recent high of $703.

COPPER hit a fresh 5½-year high of $3,060 a tonne for three months delivery, boosted by Far Eastern merchant buying, and closed at $3,040.50, up $57 on balance.

ALUMINIUM touched a 4½-year high of $2,121 a tonne before easing to $2,114, up $24 on the day.

At the London Commodity Exchange robusta COFFEE futures ended mostly lower in thin volume after a listless session devoid of fresh news.

The market continued to keep a careful eye, however, on the International Coffee Organisation meeting being held this week in London. And traders said investors were unwilling to go short ahead of today's gathering of the Association of Coffee Producing Countries, arguing that any news emerging from the meeting was likely to be fairly positive for the market.

Compiled from Reuters

March start for Sydney's revamped wool futures

The Sydney Futures Exchange said yesterday that it would begin trading its revamped deliverable wool futures contract on March 13, reports Reuters from Sydney.

The new contract will be based on 21 micron wool, finer than the 22m micron standard for the inactive existing cash settlement contract.

"The majority of wool is now being produced at 21 microns, so there will now be a more precise closure of futures against the actual prices of wool," exchange chief executive Mr Les Hosking said. The new contract was an important step in the SFE's plans to expand commodity products within Australia and Asia, he added.

Specifications of the contract include a weight of 2,500 kg (clean), 21 micron diameter, 1 per cent vegetable matter, 90 mm staple length, and good colour and topmaking style. Non-measurable characteristics will be determined by industry-agreed procedures. Premiums and discounts will apply to variations from standard to reflect actual commercial differences in value for the deliverable grades, derived from physical auction prices, the SFE said.

Contract months will be February, April, June, August, October and December up to 18 months ahead.

Delivery centres will be approved warehouses in the major wool selling centres of Sydney, Melbourne, Fremantle, Adelaide and Brisbane.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2068-9	2106-7
Previous	2057-8	2095-5.5
High/low		
AM Official	2079.5-80.5	2117.5-8.5
Kerb close		N/A
Open int.	231,212	
Total daily turnover	56,687	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1960-70	2005-10
Previous	1955-65	2000-5
High/low		
AM Official	1965-75	2010-5
Kerb close		N/A
Open int.	2,822	
Total daily turnover	557	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	664.5-5.5	682-2.5
Previous	645-6	682-4
High/low		
AM Official	668.5-9.5	685.5-6
Kerb close		N/A
Open int.	38,277	
Total daily turnover	8,238	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	9795-805	9970-80
Previous	9660-70	9835-40
High/low		
AM Official	9820-30	9999-10000
Kerb close		N/A
Open int.	61,149	
Total daily turnover	14,858	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6280-90	6370-5
Previous	6145-55	6235-40
High/low		
AM Official	6290-5	6375-80
Kerb close		N/A
Open int.	21,299	
Total daily turnover	8,458	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1171-2	1197-8
Previous	1144-5	1170-1
High/low		
AM Official	1179-80	1205-6
Kerb close		N/A
Open int.	96,262	
Total daily turnover	43,330	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	3030.5-1.5	3040-1
Previous	2973-5	2982-5
High/low		
AM Official	3038-40	3045-6
Kerb close		N/A
Open int.	231,702	
Total daily turnover	85,109	

■ LME AM Official £/$ rate: 1.5761
LME Closing £/$ rate: N/A

Spot:1.5705 3 mths:1.5698 6 mths:1.5690 9 mths:1.5682

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jan	141.40	+0.80	141.40	141.20	2,036	243
Feb	140.40	+0.70	141.30	140.50	933	18
Mar	139.60	+0.75	140.10	138.90	31,076	10,394
Apr	137.80	+0.75	-	-	944	2
May	135.70	+0.75	136.40	135.20	5,813	384
Jun	135.55	+2.75	-	-	576	-
Total					53,885	11,761

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	382.80-383.20	
Opening	380.30-380.70	
Morning fix	382.00	242.586
Afternoon fix	382.60	243.199
Day's High	384.80-385.20	
Day's Low	380.10-380.50	
Previous close	379.80-380.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.78	6 months	5.69
2 months	5.04	12 months	6.33
3 months	5.28		

Silver Fix	p/troy oz.	US cts equiv.
Spot	310.90	490.00
3 months	315.40	496.85
6 months	320.85	505.15
1 year	333.55	524.20

Gold Coins	$ price	£ equiv.
Krugerrand	381-384	242-246
Maple Leaf	393.65-396.15	-
New Sovereign	89-92	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	382.3	+2.0	-	-	-	-
Feb	382.6	+2.0	384.9	382.5	78,869	29,159
Mar	384.4	+2.0	385.5	384.5	8	4
Apr	386.2	+2.0	388.5	386.2	20,253	5,377
Jun	389.9	+2.0	392.9	389.7	25,979	491
Aug	394.2	-	396.0	394.5	14,240	557
Total					189,429	37,297

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	418.1	+2.2	418.0	418.0	59	22
Apr	421.6	+2.2	426.0	421.1	18,480	1,305
Jul	426.0	+2.2	430.0	426.5	3,679	8
Oct	430.4	+2.1	-	-	838	119
Jan	434.1	+2.1	-	-	150	1
Total					23,206	1,335

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	158.85	+1.35	161.00	158.50	5,959	117
Jun	160.10	+1.35	161.75	160.00	955	29
Sep	161.10	+1.35	163.00	160.75	280	22
Dec	162.10	+1.35	-	-	11	-
Total					7,205	168

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	487.1	+2.1	-	-	-	-
Feb	488.0	+2.0	-	-	1	-
Mar	489.7	+2.0	496.5	488.0	88,856	17,971
May	495.6	+2.1	502.5	495.0	13,170	911
Jul	501.9	+2.2	508.5	502.5	7,574	926
Sep	508.3	+2.3	513.5	510.0	9,855	310
Total					132,588	21,279

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	18.42	+0.10	18.55	18.30	39,098	34,032
Mar	18.32	+0.10	18.42	18.20	91,309	59,844
Apr	18.22	+0.10	18.29	18.12	42,563	21,073
May	18.14	+0.09	18.18	18.10	19,949	9,334
Jun	18.05	+0.06	18.09	18.00	31,734	5,671
Jul	18.03	+0.04	18.05	18.00	13,940	752
Total					382,722	141,012

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	16.74	-0.08	16.97	16.74	80,729	31,310
Apr	16.59	-0.05	16.78	16.58	22,112	6,077
May	16.54	-0.03	16.71	16.54	10,551	2,730
Jun	16.50	-0.05	16.66	16.50	10,536	1,226
Jul	16.54	+0.04	16.64	16.54	5,042	254
Aug	16.51	+0.03	16.60	16.51	3,027	145
Total					140,164	43,142

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	49.20	+0.53	49.45	48.60	31,619	19,440
Mar	49.30	+0.45	49.50	48.85	38,318	17,557
Apr	49.30	+0.40	49.50	49.25	18,249	4,523
May	49.30	+0.45	49.40	49.00	10,258	2,521
Jun	49.15	+0.40	49.30	49.00	7,649	1,287
Jul	49.35	+0.40	49.35	49.25	8,188	464
Total					135,023	48,401

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	145.75	+0.50	148.25	145.50	42,110	9,006
Mar	147.75	+0.25	150.00	147.75	16,115	7,620
Apr	148.75	+0.75	150.75	148.50	9,224	3,765
May	149.25	+1.00	151.00	149.25	3,376	1,197
Jun	150.00	+1.50	151.50	149.75	8,982	1,347
Jul	151.50	+1.00	152.75	151.50	2,353	114
Total					81,396	22,758

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	1.370	-0.084	1.445	1.365	22,850	17,032
Mar	1.423	-0.054	1.485	1.420	24,570	6,061
Apr	1.462	-0.040	1.505	1.460	12,166	1,647
May	1.495	-0.032	1.520	1.490	11,101	1,215
Jun	1.520	-0.029	1.550	1.520	9,261	1,040
Jul	1.550	-0.022	1.575	1.550	10,330	476
Total					154,553	30,907

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	58.75	+0.95	60.00	57.85	20,373	16,297
Mar	56.50	+0.38	57.10	56.10	16,981	11,050
Apr	58.15	+0.24	58.60	58.00	14,436	4,688
May	57.05	+0.06	57.40	57.00	7,780	2,108
Jun	57.30	-	-	-	3,340	359
Jul	58.85	-	-	-	1,327	60
Total					66,454	35,636

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	107.45	-0.80	108.00	107.50	197	111
Mar	108.35	-0.80	108.75	108.35	1,761	115
May	110.15	-0.55	110.50	110.00	1,841	126
Jul	111.90	-0.50	112.00	112.00	331	10
Sep	97.45	-0.20	-	-	105	-
Nov	98.45	-0.25	98.50	98.50	1,466	72
Total					5,867	434

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	379/6	-4/4	386/0	379/2	34,676	10,263
May	366/2	-2/4	370/0	366/0	9,240	2,999
Jul	347/2	-2/4	350/2	345/6	18,284	5,891
Sep	351/4	-2/6	354/4	351/0	1,013	112
Dec	361/2	-2/4	364/0	361/0	558	166
Mar	367/0	-	367/0	367/0	13	-
Total					63,802	19,434

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	234/6	-0/6	235/4	234/2	120,158	22,885
May	240/6	-0/6	241/4	240/4	63,398	5,008
Jul	245/2	-0/4	245/6	245/0	58,397	4,877
Sep	249/0	-0/2	249/4	248/6	6,832	334
Dec	252/0	-0/2	252/4	251/4	43,453	4,120
Mar	258/4	-0/2	259/0	258/2	4,777	204
Total					N/A	N/A

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	103.85	-0.30	104.15	104.15	79	4
Mar	105.25	-0.25	-	-	288	-
May	107.15	-	-	-	69	-
Sep	97.15	+1.25	-	-	30	-
Nov	98.25	+0.25	98.10	98.05	101	35
Jan	99.50	-	-	-	-	-
Total					567	39

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	553/2	-2/0	555/6	552/6	1,328	467
Mar	555/2	-3/4	558/6	554/4	56,639	20,699
May	563/0	-3/6	566/6	562/4	28,305	3,846
Jul	569/0	-3/6	572/6	568/4	27,867	4,710
Aug	572/0	-4/0	575/2	572/0	2,921	216
Sep	574/0	-4/6	577/4	574/0	2,615	115
Total					136,000	31,752

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	28.43	+0.12	28.44	28.18	5,516	2,813
Mar	26.78	+0.11	26.83	26.53	37,428	11,146
May	25.79	+0.08	25.80	25.52	20,309	3,357
Jul	25.27	+0.06	25.30	25.07	13,258	2,924
Aug	25.02	+0.08	25.02	24.80	3,872	844
Sep	24.75	-0.02	24.82	24.60	4,507	178
Total					96,797	22,861

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	157.8	+0.1	158.0	157.2	922	626
Mar	158.6	-1.6	160.4	158.5	39,443	15,799
May	161.7	-1.2	163.0	161.6	20,416	3,411
Jul	165.1	-1.3	166.4	165.1	16,850	2,000
Aug	167.2	-1.0	168.3	167.2	4,892	130
Sep	169.1	-1.0	170.2	169.1	3,585	25
Total					98,402	22,342

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	297.8	-	-	-	-	-
Apr	314.8	-4.7	322.0	315.0	1,261	85
May	337.0	+7.0	337.0	335.0	42	2
Jun	250.0	-	-	-	-	-
Total					1,303	87

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2045	+5	2054	2040	880	20
Feb	2030	+5	2050	2001	288	56
Mar	2020	+2	2025	2010	242	16
Apr	2015	+40	2025	1970	1,550	143
Jul	1758	+28	1765	1730	477	23
Oct	1760	+20	1770	1770	334	5
Total					3,834	268

	Close	Prev
BFI	2071	2071

Nuts and Seeds
1994 crop prices from Kenkko Group; US dollars per tonne. Iranian Pistachios 28/30 raws (in shell), naturally opened (round) $3,200 free on truck, Hamburg. Pistachio kernels $5,600 bid, sellers scarce. Iranian market firm on continued reports of crop shortfall and trucking difficulties. US almonds, shelled, 18/20 (nonpareil supreme – nut brown skin outers unscratched) $3,700 free alongside steamer, California, steady. Indian cashews, raw, W320, $5,200 c & f main European ports; steady. Turkish hazelnut kernels 13/15, standard 1s $3,700 c & f MEP; easy. Israeli sunflower seeds, raw (long) 8mm-plus, $2,000 c & f MEP; North Dakota raws (round) $730 c & f MEP; market slightly steadier. Snow white Russian pumpkin seeds $2,300 c &f MEP; firm. Sesame seeds 99.9% natural $1,075 FOT Holland; steady.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	981	+4	993	980	37,308	1,141
May	991	+4	993	978	18,828	973
Jul	1003	+5	1005	993	9,253	680
Sep	1014	+5	1014	1008	15,229	108
Dec	1025	+6	1026	1020	12,349	156
Mar	1036	+7	1036	1031	11,170	313
Total					111,266	3,541

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1331	-5	1345	1317	30,282	9,322
May	1361	-3	1373	1346	17,418	3,279
Jul	1384	-8	1392	1373	7,661	580
Sep	1404	-5	1405	1400	2,679	186
Dec	1428	-3	1434	1434	4,525	207
Mar	1453	-3	-	-	6,871	100
Total					77,780	13,937

■ COCOA (ICCO) (SDR's/tonne)

Jan 17	Price	Prev. day
Daily	985.80	978.55

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2811	-10	2825	2785	190	5
Mar	2834	-5	2845	2800	15,451	1,640
May	2793	-9	2810	2770	7,580	907
Jul	2780	-3	2795	2760	2,391	205
Sep	2783	-5	2790	2775	3,081	18
Nov	2785	-16	-	-	636	-
Total					29,385	2,776

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	174.25	+3.95	174.50	168.80	14,926	4,603
May	175.40	+3.85	175.50	170.10	9,425	733
Jul	175.75	+3.60	175.80	171.00	3,886	400
Sep	176.30	+3.00	177.00	172.00	2,544	228
Dec	175.35	+2.35	176.00	172.00	3,041	72
Mar	174.50	+2.60	173.00	172.00	264	-
Total					34,135	6,236

■ COFFEE (ICO) (US cents/pound)

Jan 17	Price	Prev. day
Comp. daily	153.77	152.09
15 day average	152.75	152.73

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.61	-	-	-	480	-
May	14.78	-	-	-	860	-
Jul	14.10	-	-	-	300	-
Oct	12.50	-	-	-	-	-
Jan	11.95	-	-	-	-	-
Total					1,640	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	407.2	+6.5	407.0	402.0	13,776	1,416
May	403.9	+6.6	404.0	398.5	5,633	1,821
Aug	390.2	+4.7	390.5	388.0	4,984	121
Oct	359.2	+3.7	358.7	357.6	2,073	54
Dec	353.9	+3.9	-	-	135	-
Mar	348.6	+4.1	346.5	345.0	280	80
Total					26,936	3,492

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.67	+0.25	14.71	14.47	85,522	16,565
May	14.72	+0.20	14.75	14.60	42,403	8,089
Jul	14.25	+0.13	14.27	14.20	28,576	1,968
Oct	13.44	+0.16	13.45	13.30	31,356	1,247
Mar	12.85	+0.15	12.80	12.75	8,366	412
May	12.75	+0.15	12.75	12.70	2,386	18
Total					179,094	28,357

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	91.82	+1.87	91.95	89.75	28,528	5,021
May	91.50	+1.76	91.65	89.60	16,041	2,176
Jul	90.88	+1.48	91.00	89.20	10,538	1,832
Oct	80.90	+0.47	80.95	80.35	3,526	484
Dec	74.77	+0.30	74.82	74.47	12,274	875
Mar	75.70	+0.35	75.60	75.43	400	10
Total					71,337	10,398

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	102.45	-1.45	104.50	103.65	2	2
Mar	106.35	-0.65	107.00	105.60	16,513	852
May	109.90	-0.85	110.25	109.40	3,052	100
Jul	113.20	-0.80	113.30	113.00	948	104
Sep	116.30	-0.75	116.30	116.30	2,597	122
Nov	115.80	-0.80	116.00	115.70	1,890	112
Total					27,811	1,398

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 18	Jan 17	month ago	year ago
2266.7	2243.7	2193.8	1702.7

■ CRB Futures (Base: 1967=100)

Jan 17	Jan 16	month ago	year ago
235.60	232.98	232.49	227.42

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	74.600	+0.975	74.650	73.900	26,474	7,756
Apr	74.850	+0.375	74.900	74.400	34,350	7,954
Jun	67.925	+0.150	68.000	67.675	11,465	3,911
Aug	65.025	+0.175	65.175	64.850	5,413	1,297
Oct	65.975	+0.100	66.075	65.825	678	76
Dec	66.800	-0.025	67.050	66.800	298	73
Total					81,092	21,761

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	40.600	+1.425	40.650	39.550	10,747	3,912
Apr	40.525	+1.150	40.700	39.500	12,865	2,411
Jun	45.550	+0.875	45.650	44.750	6,840	1,068
Aug	44.275	+0.625	44.400	43.650	1,741	129
Oct	41.750	+0.425	41.850	41.400	1,632	93
Dec	42.675	+0.275	42.700	42.300	1,791	114
Total					36,361	7,781

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	43.500	+2.000	43.500	42.100	5,455	2,032
Mar	43.550	+2.000	43.550	42.250	2,809	976
May	44.350	+2.000	44.350	43.150	925	135
Jul	45.175	+2.000	45.175	43.600	978	113
Aug	43.050	+2.000	43.050	42.200	277	14
Feb	51.550	+1.050	51.550	-	37	1
Total					10,480	3,271

LONDON TRADED OPTIONS

Strike price $ tonne —— Calls —— —— Puts ——

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
2000	172	203	60	109
2100	103	154	103	157
2150	130	133	130	184
■ COPPER (Grade A) LME	**Apr**	**Jul**	**Apr**	**Jul**
2900	195	130	51	135
3000	135	90	88	191
3100	88	50	140	265
■ COFFEE LCE	**Mar**	**May**	**Mar**	**May**
2700	188	255	54	162
2750	156	229	72	188
2900	127	205	93	212
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
950	62	73	11	32
975	36	59	20	43
1000	23	47	32	56
■ BRENT CRUDE IPE	**Apr**	**Jul**	**Apr**	**Jul**
1600	97	118	32	60
1650	66	91	52	83
1700	47	60	74	102

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$15.90-6.00t	-0.005
Brent Blend (dated)	$16.94-6.98	+0.09
Brent Blend (Mar)	$16.74-6.75	+0.09
W.T.I. (1pm est)	$18.35-8.38t	+0.205

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$166-167	+2.0
Gas Oil	$148-149	+1.0
Heavy Fuel Oil	*$110-111*	
Naphtha	$163-166	
Jet fuel	$164-166	
Diesel	$152-154	+0.5

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

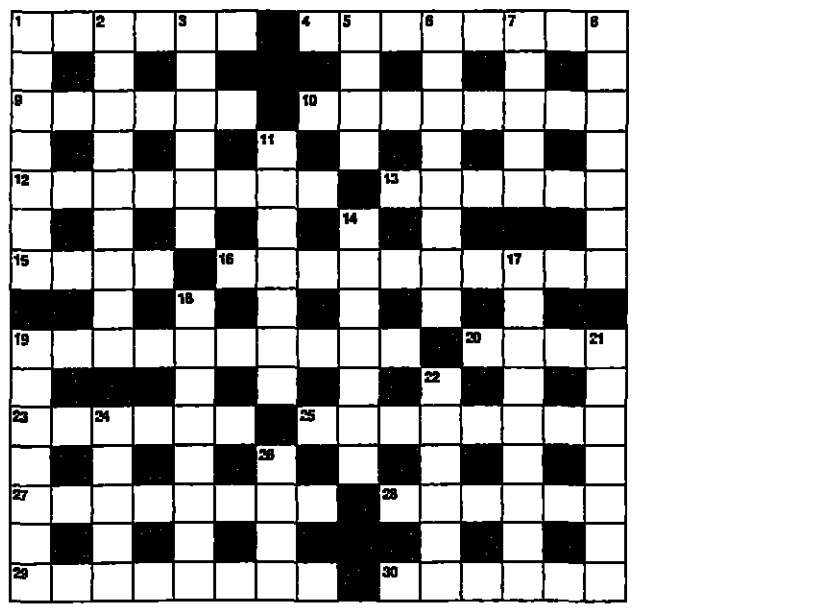
Gold (per troy oz)♣	$383.00	+3.00
Silver (per troy oz)♣	491.5c	+4.0
Platinum (per troy oz.)	$421.00	+6.25
Palladium (per troy oz.)	$157.00	+2.25
Copper (US prod.)	145.0c	+3.0
Lead (US prod.)	42.25c	
Tin (Kuala Lumpur)	15.50m	+0.15
Tin (New York)	296.5c	+8.0
Cattle (live weight)†	118.32p	-1.84*
Sheep (live weight)†♠	116.41p	-0.77*
Pigs (live weight)	77.91p	+2.06*
Lon. day sugar (raw)	$354.90	+14.80
Lon. day sugar (wte)	$409.00	+10.00
Tate & Lyle export	£340.00	+9.00
Barley (Eng. feed)	£109.5	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Feb)♥	116.00p	+1.50
Rubber (Mar)♥	116.50p	+1.50
Rubber (KL RSS No1 Jul)	423.0m	+6.0
Coconut Oil (Phil)§	$615.0y	
Palm Oil (Malay.)§	$645.0u	-5.0
Copra (Phil)§	$395.0q	-1.0
Soyabeans (US)	£170.0	
Cotton Outlook'A' Index	95.60c	+0.25
Wooltops (64s Super)	482p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Mar. y Feb/Mar. u Feb. q Jan/Feb ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,664 Set by DANTE



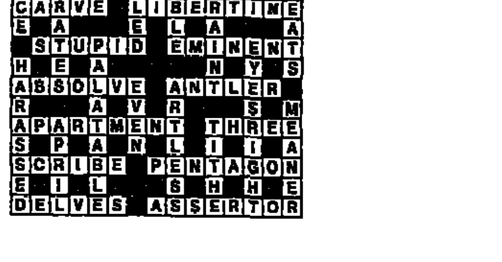
ACROSS

1 Father about to see doctor in confidence (6)
4 What a mean employer would like to get is complete control (4,4)
9 He gives people their cards (6)
10 Gets rid of players on strike (5,3)
12 Leave upset by set-back, but cheers up (8)
13 Military show leaves a permanent impression on one (6)
15 First-class return to this place (4)
16 A blockade that should pay *dividends (10)*
19 Sinister operator (4-6)
20 Turns up with a mother cat (4)
23 Handy cover for ancient fighters (6)
25 Treatise that is rarely bound to sell (8)
27 Gas main? (5,3)
28 Saucy antics? (6)
29 An ivory castle, perhaps (8)
30 Turn pale when it is included (6)

DOWN

1 Publicity coverage of the speech (7)
2 Stops because furlough's cancelled (6,3)
3 Frenzied woman made an error (6)
5 Grow back (4)
6 Interval at centre of variety (8)
7 Going on twelve inches (5)
8 US city editor breaks down on junction (7)
11 Incorrect in angle? (7)
14 Quite a few part with a pound (7)
17 Agitated farm animal that is caught in a net, perhaps (9)
18 Nevertheless a street uprising, whatever people think (6)
19 Spartan talk, as it were (7)
21 Painting for example is one article made by a craftsman (7)
22 *Ostentatious display* with a siphon (6)
24 Provide act to put in play (5)
26 Girl upsets a clergyman (4)

Solution 8,663



CURRENCIES AND MONEY

MARKETS REPORT

Dollar and pound firm on strong economic figures

The enhanced prospect of a US interest rate rise and higher than expected UK inflation figures lifted both the dollar and the pound on a quiet day for currencies, *writes James Harding*.

Investors were none the wiser about the implications of the Kobe earthquake on the Japanese yen, and, by default, maintained a moderate bias in favour of the US dollar.

On the European crosses, the lira was saved from heavy selling by profit-taking on the D-Mark and hopes that Italy's day old government may survive beyond next week's confidence motion in parliament.

■ The pound rose, prompted by strong UK economic data and helped further by the combination of a weakening D-Mark and strengthening dollar.

The UK retail prices index rose a higher than expected 2.9 per cent in the year to December after November's 2.6 per cent increase. Unemployment fell by 54,600, higher than forecast. Short sterling prices slipped in the wake of the figures, indicating heightened market expectations that the Bank of England would raise interest rates sooner rather than later.

Sterling closed in London up half a pfennig against the D-Mark at DM2.4044 against DM2.3993 the previous day and half a cent on the dollar at $1.5715 over Tuesday's $1.5662.

■ There was little interest in the dollar for most of the day. Against the D-Mark, it drifted around Tuesday's close of DM1.532 as traders continued to mull over the earthquake's possible effects on the dollar-yen rate.

■ **Pound in New York**

Jan 18	Latest	Prev. close
£ spot	1.5695	1.5668
1 mth	1.5693	1.5665
3 mth	1.5687	1.5660
1 yr	1.5655	1.5628

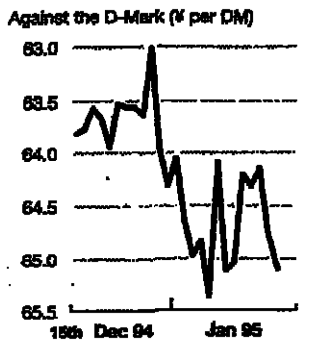
The rise in November's business inventories at an expected 0.7 per cent rate barely stirred the markets. Comments from Mr Alan Blinder, US Fed vice-chairman, who warned about strong economic growth, did not immediately unsettle the dollar. It continued to bounce in a narrow range, closing at DM1.53.

The dollar was stronger against the Japanese yen, closing at Y99.425 in London against Tuesday's finish of Y99.075. It picked up further after the Beige Book, the Fed's regional outlook on the economy, showed continuing momentum in US consumer spending, fuelling speculation of a rate rise at the end of the month. It was quoted at Y99.68 in early US afternoon trading.

The earthquake in Japan continued to leave the yen sidelined. "There is still uncertainty about how to interpret the effects of the earthquake on the currency," explained Mr Jeremy Hawkins, senior economic advisor at Bank of America.

Yen

Against the D-Mark (¥ per DM)



Source: FT Graphite

■ The Canadian dollar hit another nine year low yesterday. It closed in London at C$1.422 against the US dollar down from C$1.4205 on Tuesday. The market was unimpressed by the Bank of Canada's monetary intervention on Tuesday. "Although we have seen some really aggressive tightening from the Bank of Canada it has come too late. From the currency angle, interest rate hikes have got to be pre-emptive," one analyst said.

■ Profit taking on long D-Mark positions prevented blood-letting on the Italian lira and Spanish peseta. Traders, who had piled into the German currency, the leading European safe haven, over recent weeks, took the opportunity of a quiet day on the crosses to sell some D-Marks and make a profit.

This, coupled with fluctuating expectations over whether Mr Lamberto Dini, the newly inaugurated premier, could muster a majority in parliament, saved the lira from heavy selling that had been forecast yesterday morning.

After coming close to historic lows on Tuesday night, the lira closed in London at L1,057 against the D-Mark down from Tuesday's 1,048.

The Spanish peseta followed a similar pattern. Having fallen to a low yesterday morning of Pta 87.27, the softening D-Mark allowed it to close up at Pta86.98, barely changed from Tuesday's Pta86.99.

■ The long-awaited announcement that Mr Edouard Balladur, the French premier, was making a bid for the presidency did not ruffle the markets. The French franc finished against the D-Mark at FFr3.456 after FFr3.457 on Tuesday.

■ In the London money market, the Bank of England forecast a shortage of £1.05bn. It provided assistance of £235m at established rates and late assistance of £860m.

■ **OTHER CURRENCIES**

Jan 18	£	$
Hungary	177.805 - 178.076	113.180 - 113.280
Iran	2731.00 - 2734.00	1748.00 - 1750.00
Kuwait	0.4697 - 0.4708	0.2990 - 0.2995
Poland	3.8040 - 3.8105	2.4220 - 2.4240
Russia	6182.28 - 6186.99	3934.00 - 3937.00
U.A.E.	5.7692 - 5.7736	3.6723 - 3.6728

POUND SPOT FORWARD AGAINST THE POUND

Jan 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9188	+0.02	095 - 281	16.9406	16.8581	16.9063	0.9	16.8726	1.1	-	-	116.1
Belgium	(BFr)	49.5651	+0.0904	415 - 887	49.6280	49.3760	49.5301	0.8	49.4551	0.9	48.9101	1.3	117.7
Denmark	(DKr)	9.4793	+0.0252	739 - 847	9.4819	9.4462	9.4813	-0.3	9.4815	-0.1	9.4566	0.2	117.1
Finland	(FM)	7.4269	+0.0267	192 - 345	7.4610	7.3950	-	-	-	-	-	-	88.8
France	(FFr)	8.3093	+0.015	027 - 159	8.3294	8.2859	8.3056	0.5	8.2995	0.5	8.2502	0.7	220.5
Germany	(DM)	2.4044	+0.0051	032 - 055	2.4106	2.3947	2.4019	1.2	2.3971	1.2	2.3632	1.7	127.8
Greece	(Dr)	374.135	+0.138	977 - 293	374.765	372.622	-	-	-	-	-	-	-
Ireland	(I£)	1.0101	-0.0007	093 - 109	1.0124	1.0085	1.0098	0.4	1.0095	0.2	1.0081	0.2	105.1
Italy	(L)	2541.68	+27.23	015 - 321	2550.53	2532.85	2547.88	-2.9	2558.83	-2.7	2608.83	-2.6	72.6
Luxembourg	(LFr)	49.5651	+0.0904	415 - 887	49.6280	49.3760	49.5301	0.8	49.4551	0.9	48.9101	1.3	117.7
Netherlands	(Fl)	2.6983	+0.0078	968 - 999	2.6999	2.6858	2.6963	0.9	2.691	1.1	2.6566	1.5	121.7
Norway	(NKr)	10.5204	+0.0374	147 - 261	10.5943	10.4722	10.5198	0.1	10.5188	0.1	10.5088	0.1	86.9
Portugal	(Es)	248.132	+0.273	967 - 297	249.747	247.510	248.732	-2.9	250.382	-3.6	-	-	-
Spain	(Pta)	209.088	+0.383	943 - 233	209.525	208.556	209.593	-2.9	210.553	-2.8	214.908	-2.8	83.1
Sweden	(SKr)	11.7042	+0.0401	942 - 142	11.7356	11.6550	11.7227	-1.9	11.7577	-1.8	11.8742	-1.5	75.1
Switzerland	(SFr)	2.0241	+0.0078	227 - 255	2.0271	2.0110	2.02	2.4	2.0126	2.3	1.9678	2.8	122.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.6
Ecu	-	1.2716	+0.004	706 - 725	1.2726	1.2665	1.2717	0.0	-	-	1.2661	0.4	-
SDR†	-	0.836714	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5766	+0.0102	757 - 775	1.5807	1.5718	-	-	-	-	-	-	-
Brazil	(Cr)	1.3271	+0.0045	259 - 283	1.3317	1.3220	-	-	-	-	-	-	-
Canada	(C$)	2.2346	+0.01	335 - 357	2.2447	2.2226	2.2365	-1.0	2.2409	-1.1	2.2578	-1.0	83.1
Mexico	(New Peso)	8.3389	-0.1673	949 - 788	8.3788	8.2708	-	-	-	-	-	-	-
USA	($)	1.5715	+0.0053	710 - 720	1.5760	1.5663	1.5713	0.2	1.5707	0.2	1.5678	0.2	62.9
Pacific/Middle East/Africa													
Australia	(A$)	2.0649	+0.0007	636 - 662	2.0673	2.0636	2.0685	-2.1	2.075	-1.9	2.1105	-2.2	-
Hong Kong	(HK$)	12.1597	+0.0259	550 - 643	12.1957	12.1326	12.1758	-1.6	12.19	-1.0	12.085	0.6	-
India	(Rs)	49.2940	+0.16	744 - 136	49.4310	49.1430	-	-	-	-	-	-	-
Israel	(Shk)	4.7284	+0.0183	229 - 338	4.7901	4.6983	-	-	-	-	-	-	-
Japan	(Y)	156.246	+1.08	157 - 335	156.630	154.900	155.706	4.1	154.711	3.9	148.906	4.7	188.3
Malaysia	(M$)	4.0129	+0.02	108 - 149	4.0212	3.9924	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4561	+0.0073	543 - 578	2.4578	2.4543	2.4618	-2.8	2.4722	-2.6	2.5065	-2.1	-
Philippines	(Peso)	38.7218	+0.3511	309 - 127	38.8127	38.7538	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8944	+0.0199	923 - 964	5.9111	5.8750	-	-	-	-	-	-	-
Singapore	(S$)	2.2834	+0.0144	819 - 849	2.2860	2.2699	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5538	+0.01	508 - 567	5.5648	5.5425	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.4275	-0.1112	097 - 452	6.5395	6.4097	-	-	-	-	-	-	-
South Korea	(Won)	1247.46	+5.89	575 - 817	1250.71	1240.99	-	-	-	-	-	-	-
Taiwan	(T$)	41.2971	+0.1003	788 - 153	41.4102	41.2078	-	-	-	-	-	-	-
Thailand	(Bt)	39.3582	+0.1183	378 - 786	39.4830	39.2620	-	-	-	-	-	-	-

†SDR rates for Jan 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.7660	-0.024	635 - 685	10.7755	10.7330	10.7585	0.8	10.7387	1.0	10.606	1.5	105.1
Belgium	(BFr)	31.5400	-0.05	350 - 450	31.5800	31.4650	31.525	0.6	31.485	0.7	31.215	1.0	206.6
Denmark	(DKr)	6.0320	-0.0045	305 - 335	6.0418	6.0130	6.0317	0.0	6.0305	0.1	6.029	0.0	205.5
Finland	(FM)	4.7260	+0.0009	226 - 293	4.7510	4.7044	4.7242	0.4	4.722	0.3	4.7135	0.3	83.2
France	(FFr)	5.2875	-0.0085	850 - 900	5.2995	5.2770	5.2866	0.2	5.2844	0.2	5.2685	0.4	106.6
Germany	(DM)	1.5300	-0.002	297 - 302	1.5334	1.5249	1.5288	0.9	1.5262	1.0	1.5085	1.4	108.2
Greece	(Dr)	238.075	-0.725	050 - 100	238.400	237.470	241.075	-15.1	245.825	-13.0	258.225	-8.5	68.3
Ireland	(I£)	1.5559	+0.0064	551 - 566	1.5605	1.5487	1.5561	-0.1	1.5557	0.1	1.5549	0.1	-
Italy	(L)	1617.36	+11.86	690 - 782	1622.85	1610.00	1621.71	-3.2	1629.06	-2.9	1664.86	-2.9	73.1
Luxembourg	(LFr)	31.5400	-0.05	350 - 450	31.5800	31.4650	31.525	0.6	31.485	0.7	31.215	1.0	106.6
Netherlands	(Fl)	1.7170	-0.0009	165 - 175	1.7180	1.7111	1.7161	0.7	1.7132	0.9	1.6941	1.3	106.4
Norway	(NKr)	6.6945	+0.001	930 - 960	6.7267	6.6621	6.6922	0.4	6.6875	0.4	6.6395	0.8	97.1
Portugal	(Es)	157.895	-0.385	840 - 950	158.670	157.620	158.52	-4.7	159.62	-4.4	164.32	-4.1	95.4
Spain	(Pta)	133.050	-0.21	000 - 100	133.250	132.700	133.405	-3.2	134.045	-3.0	137.15	-3.1	78.2
Sweden	(SKr)	7.4478	+0.0002	438 - 518	7.4868	7.4264	7.4615	-2.2	7.4853	-2.0	7.5778	-1.7	80.2
Switzerland	(SFr)	1.2880	+0.0005	875 - 885	1.2903	1.2805	1.2857	2.1	1.2813	2.1	1.2558	2.5	108.0
UK	(£)	1.5715	+0.0053	710 - 720	1.5760	1.5663	1.5713	0.2	1.5707	0.2	1.5678	0.2	87.6
Ecu	-	1.2359	+0.0004	354 - 364	1.2400	1.2348	1.2357	0.2	1.2356	0.1	1.2377	-0.1	-
SDR†	-	1.46858	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0033	+0.0031	030 - 035	1.0035	1.0030	-	-	-	-	-	-	-
Brazil	(Cr)	0.8445	-	440 - 450	0.8450	0.8440	-	-	-	-	-	-	-
Canada	(C$)	1.4220	+0.0015	217 - 222	1.4252	1.4190	1.4235	-1.3	1.4266	-1.3	1.4408	-1.3	79.9
Mexico	(New Peso)	5.3050	-0.125	800 - 300	5.3300	5.2600	5.3058	-0.2	5.3062	-0.1	5.3076	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3139	-0.004	136 - 144	1.3182	1.3117	1.3161	-2.0	1.3207	-2.1	1.3462	-2.5	89.2
Hong Kong	(HK$)	7.7376	-0.0099	371 - 381	7.7450	7.7368	7.7387	-0.2	7.7397	-0.1	7.7446	-0.1	-
India	(Rs)	31.3675	-0.005	650 - 700	31.3775	31.3650	31.4475	-3.1	31.6925	-4.1	-	-	-
Israel	(Shk)	3.0088	+0.0014	063 - 113	3.0420	2.9895	-	-	-	-	-	-	-
Japan	(Y)	99.4250	+0.35	000 - 500	99.6000	98.8300	99.105	3.9	98.495	3.7	95.02	4.4	149.7
Malaysia	(M$)	2.5535	+0.004	530 - 540	2.5540	2.5465	2.5515	0.9	2.547	1.0	2.531	0.9	-
New Zealand	(NZ$)	1.5628	-0.0007	623 - 635	1.5669	1.5595	1.5663	-2.7	1.5733	-2.4	1.5973	-2.2	-
Philippines	(Peso)	24.6400	+0.14	900 - 900	24.6900	24.5900	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	-0.0001	507 - 509	3.7511	3.7507	3.7534	-0.8	3.7567	-0.6	3.7683	-0.5	-
Singapore	(S$)	1.4530	+0.0042	525 - 535	1.4535	1.4488	1.4481	4.1	1.4427	2.8	1.4193	2.3	-
S Africa (Com.)	(R)	3.5341	-0.0057	333 - 348	3.5390	3.5215	3.5491	-5.1	3.5801	-5.2	3.7361	-5.7	-
S Africa (Fin.)	(R)	4.0900	-0.085	800 - 000	4.1600	4.0800	4.1175	-8.1	4.1675	-7.6	4.4	-7.6	-
South Korea	(Won)	793.800	+1.05	600 - 000	794.000	791.600	796.9	-4.5	800.3	-3.3	818.8	-3.1	-
Taiwan	(T$)	26.2788	-0.0257	755 - 820	26.2950	26.2755	26.2988	-0.9	26.3338	-0.9	-	-	-
Thailand	(Bt)	25.0450	-0.01	400 - 500	25.0550	25.0400	25.0575	-0.6	25.0715	-0.4	25.0975	-0.2	-

†SDR rate for Jan 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 17. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 18	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅛	5⅛	5⅝	6⅛	7.40	4.50	-
week ago	4⅞	5⅛	5¼	5⅝	6¼	7.40	4.50	-
France	5⅛	5⅛	5⅝	6⅛	6⅝	5.00	-	6.40
week ago	5⅛	5⅛	5⅝	6⅛	6⅝	5.00	-	6.40
Germany	4.83	4.95	5.10	5.30	5.75	6.00	4.50	4.85
week ago	4.88	4.95	5.10	5.35	5.80	6.00	4.50	4.85
Ireland	5⅛	5⅞	6¼	6⅝	7⅛	-	-	6.25
week ago	5⅛	5⅞	6¼	6⅝	7⅛	-	-	6.25
Italy	8⅛	8⅞	9⅛	9⅝	10⅛	-	7.50	8.20
week ago	8⅛	8⅞	9⅛	9⅝	10⅛	-	7.50	8.20
Netherlands	4.84	5.08	5.27	5.40	5.90	-	5.25	-
week ago	4.84	5.08	5.18	5.43	5.96	-	5.25	-
Switzerland	3½	3⅝	4⅛	4⅛	4⅝	6.625	3.50	-
week ago	3¼	3⅝	4	4⅛	4⅝	6.625	3.50	-
US	5⅛	5⅞	6⅛	6⅝	7⅛	-	4.75	-
week ago	5⅝	5⅞	6⅛	6⅝	7⅛	-	4.75	-
Japan	2⅛	2⅛	2⅛	2¼	2⅛	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅜	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	6⅛	6¾	7⅛	-	-	-
week ago	-	5⅞	6⅛	6⅞	7⅜	-	-	-
US Dollar CDs	-	5.72	6.13	6.53	7.23	-	-	-
week ago	-	5.72	6.16	6.69	7.46	-	-	-
SDR Linked Ds	-	4.59	4.94	5.25	5.69	-	-	-
week ago	-	4.56	4.94	5.25	5.69	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6⅛; 6 mths: 6⅝; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 18	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 - 4⅞	5 5/16 - 5 3/16	5½ - 5⅜	5 13/16 - 5 11/16	6⅝ - 6½
Danish Krone	5¼ - 5	5¾ - 5½	5⅞ - 5⅝	6¼ - 6	6⅝ - 6⅜	7 5/16 - 7 3/16
D-Mark	4⅞ - 4¾	4⅞ - 4¾	4 15/16 - 4 13/16	5⅛ - 5	5⅜ - 5¼	5 13/16 - 5 11/16
Dutch Guilder	5⅛ - 5	5⅛ - 5	5 3/16 - 5 1/16	5¼ - 5⅛	5 7/16 - 5 5/16	5 13/16 - 5 11/16
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 9/16 - 5 7/16	5 13/16 - 5 11/16	6 7/16 - 6 5/16	6 13/16 - 6 11/16
Portuguese Esc.	8⅝ - 8 7/16	9 - 8⅞	9⅝ - 9 7/16	10⅝ - 10⅜	11 5/16 - 11 1/16	11⅞ - 11⅝
Spanish Peseta	8⅛ - 8	8 1/16 - 7 15/16	8⅜ - 8¼	8⅞ - 8⅝	9⅜ - 9⅛	10¼ - 10⅛
Sterling	6 - 5¾	5⅞ - 5¾	6 1/16 - 6	6 11/16 - 6 9/16	7 3/16 - 6 15/16	7⅞ - 7⅝
Swiss Franc	3⅜ - 3¼	3⅝ - 3½	3 13/16 - 3 11/16	4 1/16 - 3 15/16	4 5/16 - 4 3/16	4 11/16 - 4 9/16
Can. Dollar	6⅞ - 6 11/16	6⅞ - 6 11/16	7¼ - 7	7 13/16 - 7 9/16	8 5/16 - 8 1/16	9 - 8¾
US Dollar	5⅝ - 5½	5⅝ - 5½	5 13/16 - 5 11/16	6¼ - 6⅛	6⅝ - 6½	7 5/16 - 7 3/16
Italian Lira	9 - 7½	8½ - 8⅜	8⅞ - 8¾	9⅝ - 9 7/16	9 15/16 - 9 13/16	10 5/16 - 10 1/16
Yen	2¼ - 2⅛	2 3/16 - 2 1/16	2 5/16 - 2 3/16	2⅜ - 2¼	2⅝ - 2½	2 15/16 - 2 13/16
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	3⅝ - 3½	4⅜ - 4 3/16	4 9/16 - 4 7/16	4⅞ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.61	93.74	+0.09	93.75	93.60	29,608	80,377
Jun	93.12	93.23	+0.09	93.24	93.08	19,465	54,916
Sep	92.83	92.93	+0.07	92.93	92.80	5,096	33,847
Dec	92.54	92.65	+0.06	92.65	92.54	2,458	19,790

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		93.20	-0.04			0	1402
Jun		92.47	-0.06			0	818
Sep		92.11	-0.06			0	127
Dec		91.86	-			0	6

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.59	94.68	+0.09	94.70	94.57	57989	189500
Jun	94.17	94.22	+0.08	94.24	94.13	48648	183583
Sep	93.79	93.82	+0.04	93.83	93.73	25208	91981
Dec	93.40	93.42	+0.02	93.44	93.33	12873	64269

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.90	90.22	-0.02	90.35	89.90	11630	38684
Jun	89.37	89.62	-0.02	89.72	89.35	3580	20658
Sep	89.22	89.26	-0.01	89.37	89.15	1316	28678
Dec	89.00	89.05	-0.02	89.14	88.96	480	15980

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.63	95.70	+0.08	95.71	95.61	4718	22665
Jun	95.32	95.37	+0.05	95.38	95.30	1897	9458
Sep	95.02	95.09	+0.05	95.09	95.02	132	5565
Dec	94.82	94.85	+0.04	94.85	94.82	40	3468

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.36	93.44	+0.04	93.45	93.36	1581	9099
Jun	92.84	92.94	+0.04	92.94	92.84	1661	6718
Sep	92.45	92.52	+0.02	92.53	92.45	288	2964
Dec	92.07	92.12	+0.01	92.17	92.07	83	1575

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.13	16.77	4.851	2.038	5127	5.444	21.23	500.6	421.9	23.61	4.084	2.018	4.508	3.172	315.2	2.567
Denmark	(DKr)	52.28	10	8.766	2.536	1.066	2681	2.846	11.10	261.7	220.6	12.34	2.135	1.055	2.357	1.658	164.8	1.342
France	(FFr)	59.65	11.41	10	2.893	1.216	3058	3.247	12.66	298.6	251.7	14.08	2.436	1.204	2.689	1.892	188.0	1.531
Germany	(DM)	20.62	3.943	3.456	1	0.420	1057	1.122	4.376	103.2	86.98	4.867	0.842	0.416	0.929	0.654	64.98	0.529
Ireland	(I£)	49.07	9.385	8.227	2.380	1	2516	2.671	10.42	245.6	207.0	11.58	2.004	0.990	2.212	1.556	154.7	1.259
Italy	(L)	1.950	0.373	0.327	0.095	0.040	100.	0.106	0.414	9.764	8.229	0.460	0.080	0.039	0.088	0.062	6.147	0.050
Netherlands	(Fl)	18.37	3.513	3.080	0.891	0.374	941.8	1	3.899	91.96	77.50	4.337	0.750	0.371	0.828	0.583	57.89	0.471
Norway	(NKr)	47.11	9.010	7.898	2.285	0.960	2415	2.565	10	235.8	198.8	11.12	1.924	0.951	2.124	1.494	148.5	1.209
Portugal	(Es)	19.98	3.821	3.349	0.969	0.407	1024	1.087	4.240	100.	84.28	4.716	0.816	0.403	0.900	0.634	62.96	0.513
Spain	(Pta)	23.70	4.533	3.974	1.150	0.483	1215	1.290	5.031	118.7	100.	5.595	0.968	0.478	1.068	0.752	74.70	0.608
Sweden	(SKr)	42.36	8.102	7.102	2.055	0.863	2172	2.306	8.991	212.1	178.7	10	1.730	0.855	1.909	1.344	133.5	1.087
Switzerland	(SFr)	24.49	4.683	4.105	1.188	0.499	1255	1.333	5.198	122.6	103.3	5.781	1	0.494	1.104	0.777	77.17	0.628
UK	(£)	49.56	9.479	8.309	2.404	1.010	2541	2.698	10.52	248.1	209.1	11.70	2.024	1	2.234	1.572	156.2	1.272
Canada	(C$)	22.18	4.243	3.719	1.076	0.452	1137	1.208	4.709	111.1	93.60	5.237	0.906	0.448	1	0.704	69.92	0.569
US	($)	31.53	6.030	5.286	1.529	0.642	1616	1.716	6.692	157.8	133.0	7.443	1.288	0.636	1.421	1	99.36	0.809
Japan	(Y)	31.73	6.069	5.319	1.539	0.647	1627	1.727	6.735	158.8	133.9	7.490	1.296	0.640	1.430	1.006	100.	0.814
Ecu		38.96	7.452	6.532	1.890	0.794	1998	2.121	8.270	195.0	164.4	9.198	1.591	0.786	1.756	1.236	122.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6541	0.6546	+0.0007	0.6565	0.6528	23,531	77,311
Jun	0.6582	0.6570	+0.0010	0.6584	0.6570	34	2,080
Sep	-	0.6600	-	0.6600	-	10	148

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0146	1.0116	-0.0036	1.0175	1.0114	25,911	77,306
Jun	1.0266	1.0241	-0.0031	1.0269	1.0238	659	8,156
Sep	-	1.0404	-0.0050	-	-	54	374

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

Mar	0.7803	0.7791	-0.0014	0.7830	0.7788	17,693	38,314
Jun	0.7868	0.7845	+0.0017	0.7872	0.7845	30	934
Sep	-	0.7912	-0.0002	-	-	1	64

■ **STERLING FUTURES** (IMM) £62,500 per £

Mar	1.5670	1.5728	+0.0066	1.5750	1.5658	6,262	36,699
Jun	-	1.5720	-0.0026	1.5750	-	19	1,283
Sep	-	1.5710	-0.0026	1.5740	-	5	4

UK INTEREST RATES

LONDON MONEY RATES

Jan 18	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 3	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 9/16 - 6 7/16	7 1/16 - 6 15/16	7⅞ - 7¾
Sterling CDs	-	-	6 1/32 - 5 31/32	6½ - 6 7/16	6 15/16 - 6⅞	7¼ - 7⅝
Treasury Bills	-	-	5⅞ - 5¾	6⅛ - 6	-	-
Bank Bills	-	-	5 15/16 - 5⅞	6⅝ - 6 9/16	6⅞ - 6¾	-
Local authority deps.	6 9/16 - 6 7/16	5 15/16 - 5 13/16	6 1/16 - 5 15/16	6½ - 6⅜	6 15/16 - 6 13/16	7 13/16 - 7 11/16
Discount Market deps	7¼ - 4½	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	6¼	5½	5¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 5.8155pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.88	92.84	-0.04	92.89	92.77	37336	98245
Jun	92.15	92.08	-0.07	92.16	92.01	36162	68720
Sep	91.67	91.60	-0.07	91.67	91.51	10164	57776
Dec	91.35	91.29	-0.06	91.35	91.20	5176	45888

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9275	0.23	0.11	0.10	0.14	0.77	1.25
9300	0.10	0.06	0.08	0.26	0.97	1.46
9325	0.04	0.03	0.03	0.45	1.19	1.68

Est. vol. total, Calls 8115 Puts 9122. Previous day's open int., Calls 105889 Puts 104584

EMS EUROPEAN CURRENCY UNIT RATES

Jan 18	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.12909	-0.00165	-3.08	10.54	-
Germany	1.94964	1.89861	-0.00138	-2.62	10.02	-
Belgium	40.2123	39.1414	-0.0078	-2.66	10.07	19
Austria	13.7167	13.3581	-0.01010	-2.61	9.10	-
Ireland	0.808628	0.797391	-0.002708	-1.39	8.65	9
France	6.53883	6.56586	-0.00208	0.41	6.70	-3
Denmark	7.43679	7.48750	+0.0025	0.68	6.41	-5
Portugal	192.854	196.080	-0.132	1.67	5.38	-11
Spain	154.250	165.260	+0.126	7.14	0.00	-50
NON ERM MEMBERS						
Greece	264.513	295.408	-0.227	11.68	-4.07	-
Italy	1793.19	2011.01	+20.44	12.15	-4.47	-
UK	0.786749	0.789695	-0.002649	0.37	6.74	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	7.22	7.32	7.53	-	0.12	0.44
1.525	4.83	5.13	5.59	0.06	0.40	0.91
1.550	2.69	3.24	3.87	0.41	0.99	1.65
1.575	1.15	1.84	2.54	1.32	2.02	2.69
1.600	0.36	0.91	1.56	2.96	3.52	4.17
1.625	0.06	0.38	0.88	5.15	5.47	5.96

Previous day's vol., Calls 3,210 Puts 8,801. Prev. day's open int., Calls 214,167 Puts 248,550

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.25	93.19	-0.05	93.25	93.16	148,295	436,360
Jun	92.53	92.47	-0.06	92.55	92.45	212,526	387,623
Sep	92.17	92.11	-0.06	92.18	92.08	105,170	277,813

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

Mar	93.84	93.82	-0.05	93.84	93.80	1,920	12,605
Jun	93.14	93.11	-0.06	93.14	93.10	1,333	6,089
Sep	92.75	92.74	-0.06	92.75	92.74	25	2,420

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9450	0.21	0.24	0.08	0.12	0.03	0.06	0.36	0.40
9475	0.05	0.06	0.03	0.06	0.12	0.15	0.56	0.59
9500	0.01	0.02	0.01	0.02	0.33	0.34	0.79	0.80

Est. vol. total, Calls 10091 Puts 6694. Previous day's open int., Calls 146400 Puts 197073

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9550	0.24	0.08	0.16	0.04	0.21	0.57
9575	0.09	0.04	0.09	0.14	0.42	0.75
9600	0.02	0.02	0.04	0.32	0.65	0.95

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1695 Puts 1915

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs.	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25	* In administration	
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

INTERNATIONAL CAPITAL MARKETS

Long-term Treasuries steady as short end falls

By Lisa Branston in New York and Richard Lapper in London

Long-term US Treasuries held steady in an otherwise declining market yesterday morning amid renewed speculation that the Federal Reserve will raise interest rates again in the next two weeks.

At midday, the benchmark 30-year Treasury was unchanged at 96¾, yielding 7.764 per cent. At the short end of the market, the two-year note was down $\frac{1}{16}$ to 100, yielding 7.480 per cent.

Business inventories increased in November for the eighth consecutive month, according to figures released by the Commerce Department. Seasonally adjusted inventories rose 0.7 per cent in November, close to economists' expectations.

The relatively low increase in inventory figures means manufacturers and retailers are not making substantial increases to stocks of goods and therefore is taken as a sign of relative economic strength.

GOVERNMENT BONDS

The number fuelled expectations that the Fed will raise interest rates at the January 31 to February 1 meeting of its Open Market Committee.

With investors placing greater odds on further monetary tightening, the spread between the yields on two and 30-year bonds narrowed from recent highs.

A shrinking yield spread is interpreted as a sign that the market is expecting economic slowing.

Yesterday, the spread narrowed from 45 basis points last week to 32 points. Late last year it was as low as 8 basis points.

■ Fears of inflation sparked by disappointing retail price figures depressed UK government bond prices. On Liffe the March long gilt future fell to 100¾ in morning trading. Prices recovered in the afternoon, with analysts pointing to encouraging average earnings data for November. Even so the contract still closed at 101$\frac{3}{16}$, down $\frac{1}{16}$ on the day.

In the cash market the yield spread of gilts over the equivalent 10-year German paper widened to 131 basis points, compared with 124 basis points at yesterday's close, according to J.P. Morgan.

■ In France, the March futures contract closed at 111.12, up 0.44 points on Tuesday's close. In the cash market, France continues to outperform, with the yield spread of the OAT over German paper narrowing by 3 basis points to 61 points.

Analysts said the announcement by Mr Edouard Balladur, the conservative prime minister, that he intended to run as a candidate in France's presidential elections in the spring had cheered the markets.

■ German bond prices moved upwards in light trading, with the March 10-year bund future on Liffe closing at 89.80, up 0.34 on the day. Volumes, at 108,000, were relatively low.

■ Italian bonds recovered much of the ground lost in late trading yesterday. The March 10-year future on Liffe closed at 99.38, down 0.12 on Tuesday's close but nearly 1 percentage point up on yesterday's opening price.

Traders said some of the upward movement had been caused by short covering, following yesterday sell-off.

The yield spread of the BTP over Germany widened from 474 basis points to 482 points, according to J.P. Morgan.

■ The Japanese bond markets continue to be erratic in the wake of Tuesday's earthquake, with investors awaiting firmer news about the financial impact of the disaster.

The yield on the benchmark No 164 bond fell to 4.67 per cent in Tokyo, down 5 basis points on its close on Tuesday, but then rose again in London. In late trading the paper was yielding 4.695 per cent.

The March 10-year futures contract rose by 0.36 points in Tokyo.

However, it then fell back in London, and was trading at 108.10 late in the day.

UK gilt strips market seen as inevitable

By Richard Lapper

A market in UK gilt strips is now "inevitable" following Tuesday's announcement of the terms of the government's next gilts auction, according to J. P. Morgan, the US investment bank.

The development of a market in strips – paper created when coupons on bonds are traded separately from the principal – has been expected for some time by analysts and traders and would form part of moves by the government to modernise and streamline the UK government bond market.

The Bank of England announced that £2bn of new stock would be auctioned on January 25. The bonds will carry an 8 per cent coupon and mature on December 7 2015, the same day and month as five-year and 10-year gilts issued last year.

Last September, the bank auctioned 10-year stock carrying an 8½ per cent coupon and maturing on December 7 2005. In October 1994, the bank followed up with an issue maturing on December 7 2000 carrying an 8 per cent coupon.

In a research note, J. P. Morgan said that "in the past stocks with matching dates have been rare and typically issued years or decades apart". Mr David Boal, gilt product manager, says the way the dates are matched should make it possible to trade the coupons from separate issues interchangeably, increasing the size and liquidity of a potential strips market.

Two types of zero-coupon instruments are created by stripping coupons from underlying principal, those based on the principal itself and those based on each of the coupons. Demand for them could come from a number of different quarters. As well as speculators, insurance companies, offering annuities products, and some pension funds, which are interested in the income rather than capital appreciation, would be likely to show interest, for example.

Users would probably be prepared to pay more for the strips than for the underlying bond, reducing costs to the government.

"The sum of the prices they are prepared to pay for the individual components of a stripped bond may be greater than the price that the bond would command in a market where bonds are not stripped," says Mr Boal.

Several governments already offer stripped bonds to investors, including the US, Canada, and France.

The introduction of a strips market requires two reforms, suggests Mr Boal. First, the Bank of England would need to implement commitments to introduce a market for gilt repurchase agreements. Second, the tax authorities would need to modify rules on the taxation of gilts in general and of deeply discounted bonds.

Meanwhile, demand for the new 8 per cent 2015 gilt is also likely to be buoyant because of the duration of the bond – which provides a measure of the security's overall sensitivity to changes in interest rates.

"When the 8 per cent 2015 becomes strippable, each of the cashflows beyond 10.5 years will have a longer duration than can be accessed through any other gilt," said Morgan. "The note will be in demand and will remain in demand."

European Investment Bank yen offering well received

By Martin Brice

The European Investment Bank brought its deal in yen to the euromarkets yesterday, in spite of the Japanese earthquake.

The earthquake is expected to result in the Japanese government issuing bonds to pay for the damage. One syndicate manager said: "That would make the [bond] supply situation worse." Further, the increase in spending may provide a boost to the economy.

However, in spite of these concerns, the EIB's Y75bn six-year offering was reported to have gone well by book-runner Nikko Europe.

The deal was unlisted, which means Japanese investors need not book any losses on the bonds at the year-end, a process known as "marking to market". This makes unlisted bonds attractive to investors and makes a difference of around 10 to 12 basis points on the price.

The 10-year, $1bn global deal, callable after five years, for the US Federal National Mortgage Association (Fannie Mae) was priced yesterday, at par and with a coupon of 8.5 per cent.

The bonds were offered at a spread of 80 basis points over the relevant Treasury and joint books Lehman Brothers and Merrill Lynch reported very strong demand.

INTERNATIONAL BONDS

The issue was sold to 100 investors, and 35.5 per cent went to investors outside the US. Other houses reported that the bonds had sold well, although callable issues were not well known outside the US.

One house not involved in the deal said: "It seems to have gone well but I can't see why." However, there has been a five-month process of explaining callable bonds to investors.

Mr Jim Quigley, global debt syndicate manager for Merrill Lynch, said the spread had tightened in from 80 to 78 after the issue.

Ms Linda Knight, Fannie Mae's treasurer, said: "This is an excellent result with our first callable, and it shows this market can be developed over time."

Fannie Mae has started a service on Bloomberg, the on-screen information service, to allow investors to see the price of issues from the agency's $20bn debt programme and to analyse the effect of changes in interest rates and volatility for the callable bonds.

Ford Credit Europe brought a callable £100m deal through NatWest Capital Markets, which structured the floating-rate notes to encourage investors to switch out of the recently-issued Britannia Building Society bonds brought via Kleinwort Benson and pick up 4 basis points.

Both deals are from financial institutions and are 20 per cent weighted for capital adequacy purposes. NatWest said Ford paper denominated in dollars was trading around Libor plus 28 basis points in the secondary market, and coming in sterling allowed it to offer Libor plus 15 on the coupon. It is believed that the proceeds were not swapped. NatWest noted strong demand from European banks for the five-year bonds, which have a call option at year four.

Three issuers tapped the D-Mark sector, although swap opportunities have not been good recently, leading to a dearth of non-German entities bringing deals in the currency.

J.P. Morgan handled two of the D-Mark deals yesterday. The larger was for DM500m for DSL Finance. It is believed J.P. Morgan won the mandate against highly competitive bids. The other deal was for DM200m for Société Générale Acceptance.

Sudwest LB Capital Markets raised DM500m through joint books CS First Boston and SBC in Frankfurt.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Korea Development Bank	500	(a)#	(a)R	Jan.2001	0.30R	(a)(Wl 5yr)	CSFB/ Salomon Brothers
YEN							
European Investment Bank★	75bn	4.25	100.04R	Feb.2001	0.275R	-	Nikko Europe
STERLING							
Ford Credit Europe(b)‡	100	(b1)	99.77R	Feb.2000	0.15R	-	NatWest Capital Markets
D-MARKS							
DSL Finance	500	7.375	100.06R	Feb.2000	0.25R	+15(7%-99)	JP Morgan
Sudwest. LB Cap.Mkts.(c)	500	7.125	99.65R	Feb.1999	0.225R	+6(5¾%-99)	CSFB Effectenbank/SBC Fin.
Soc.Gén.Acceptance	200	7.25	99.75R	Feb.1999	0.225R	+17(5¾%-99)	JP Morgan
LUXEMBOURG FRANCS							
Eurofima	3.5bn	8.25	101.875	Mar.2005	1.875	-	BIL/ Crédit Européen
SWISS FRANCS							
NEC Corp(d)★§	500	1.00	100.00	Mar.1999	-	-	Swiss Bank Corp.
Bayerische Hypobank	100	5.50	102.65	Mar.1998	1.50	-	Merrill Lynch Capl.Markets
Daimler Benz North America	100	5.375	102.60	Feb.1998	1.50	-	Credit Suisse

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today at 89-91bp over Treasuries. b) Callable on coupon dates from Feb.99 at par. b1) 3-mth Libor +15bp. c) Long 1st coupon. d) Pricing on 25/1/95. Short 1st coupon. Callable on 30/9/97 at 101½% falling ½%ea to par. Callable from 31/3/96 subject to 150% rule.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.2000	+0.080	10.29	10.37	10.17
Austria		7.625	10/04	99.4000	+0.180	7.71	7.80	7.64
Belgium		7.750	10/04	95.4100	+0.260	8.45	8.49	8.24
Canada *		9.000	12/04	96.8500	−0.300	9.50	9.38	9.01
Denmark		7.000	12/04	87.1500	+0.130	9.01	9.15	8.65
France	BTAN	8.000	05/98	101.0700	+0.190	7.60	7.81	7.27
	OAT	7.500	04/05	95.6600	+0.530	8.13	8.31	7.94
Germany Bund		7.375	01/05	99.0700	+0.370	7.51	7.64	7.40
Ireland		8.250	10/04	82.6000	−0.050	8.78†	8.78	8.75
Italy		8.500	08/04	80.3200	−0.370	12.03	12.19	11.70
Japan	No 119	4.800	06/99	103.6260	−0.080	3.87	3.95	3.91
	No 164	4.100	12/03	96.4450	+0.300	4.67	4.66	4.61
Netherlands		7.250	10/04	97.1400	+0.320	7.67	7.77	7.52
Portugal		8.875	01/04	83.5000	−	11.84	11.64	11.57
Spain		10.000	02/05	88.6800	+0.330	11.81	12.07	11.19
Sweden		6.000	02/05	70.8040	+0.240	10.93	11.15	10.90
UK Gilts		6.000	08/99	90-12	−3/32	8.60	8.64	8.49
		8.750	11/04	87-17	−2/32	8.66	8.72	8.57
		9.000	10/08	102-28	+1/32	8.64	8.68	8.51
US Treasury *		7.875	11/04	101-04	+5/32	7.71	7.82	7.80
		7.500	11/24	96-26	+16/32	7.77	7.86	8.14
ECU (French Govt)		8.000	04/04	83.8700	+0.240	8.57	8.73	8.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
Prime rate	8½	One month	5.47	Two year	7.46
Broker loan rate	8½	Two month	5.59	Three year	7.61
Fed.funds	5$\frac{15}{16}$	Three month	5.91	Five year	7.89
Fed.funds at intervention	-	Six month	6.49	10-year	7.89
		One year	7.03	30-year	7.78

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110.64	111.12	+0.44	111.14	110.54	122,741	137,125
Jun	109.88	110.34	+0.44	110.02	109.80	696	4,220
Sep	109.30	109.72	+0.10	109.40	109.30	102	1,467

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
109	-	-	-	0.03	0.31	-
110	1.15	1.58	-	0.08	0.53	-
111	0.42	0.96	-	0.34	0.89	-
112	0.07	0.50	0.84	-	-	-
113	-	0.22	0.55	-	-	-

Est. vol. total, Calls 15,655 Puts 17,680. Previous day's open int., Calls 186,041 Puts 160,330.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.54	89.80	+0.34	89.88	89.39	108995	187049
Jun	88.90	89.23	+0.34	89.26	88.90	1126	4095

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
8950	0.45	0.81	0.72	1.03	0.15	0.51	0.99	1.30
9000	0.18	0.56	0.52	0.82	0.38	0.76	1.29	1.59
9050	0.05	0.36	0.36	0.62	0.75	1.06	1.63	1.89

Est. vol. total, Calls 12548 Puts 16031. Previous day's open int., Calls 202952 Puts 124034

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.50	99.38	-0.12	99.65	98.35	37599	47669
Jun		98.53	-0.12			0	55

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9900	1.39	2.17	1.01	2.64
9950	1.13	1.95	1.25	2.92
10000	0.89	1.75	1.51	3.22

Est. vol. total, Calls 1622 Puts 859. Previous day's open int., Calls 21086 Puts 20493

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	83.27	83.76	+0.31	83.90	83.14	52,257	53,125
Jun		82.61				50	100

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-07	101-06	-0-02	101-09	100-24	57757	90365
Jun	101-00	101-09	-0-02	101-00	101-00	3	537

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
101	1-06	2-09	0-58	1-55
102	0-40	1-40	1-28	2-22
103	0-20	1-13	2-08	2-59

Est. vol. total, Calls 2291 Puts 2981. Previous day's open int., Calls 39857 Puts 39985

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	80.78	81.06	+0.24	81.08	80.66	3,264	6,687
Jun	-	80.80	+0.24	-	-	-	1

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	100-10	100-11	+0-02	100-14	100-03	308,427	371,419
Jun	99-31	99-30	+0-03	100-00	99-22	3,651	17,988
Sep	99-14	99-22	+0-04	99-22	99-14	19	1,477

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.25			108.29	108.06	2293	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jan 18	Day's change %	Tue Jan 17	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	118.75	−0.10	118.87	1.62	0.90
2 5-15 years (22)	139.85	−0.22	140.16	2.78	0.00
3 Over 15 years (8)	155.48	−0.09	155.62	2.34	1.19
4 Irredeemables (6)	176.33	−0.31	176.89	1.95	0.00
5 All stocks (59)	136.50	−0.16	136.72	2.32	0.51
Index-linked					
6 Up to 5 years (2)	188.11	+0.09	187.94	1.51	0.00
7 Over 5 years (11)	173.20	−0.07	173.32	0.41	0.59
8 All stocks (13)	173.84	−0.05	173.93	0.51	0.53

Yields	Low coupon yield Jan 18	Jan 17	Yr. ago	Medium coupon yield Jan 18	Jan 17	Yr. ago	High coupon yield Jan 18	Jan 17	Yr. ago
5 yrs	8.66	8.61	5.57	8.67	8.63	5.82	8.88	8.93	5.91
15 yrs	8.54	8.52	6.31	8.67	8.64	6.41	8.90	8.88	6.65
20 yrs	8.51	8.49	6.43	8.67	8.64	6.45	8.83	8.83	6.67
Irred.†	8.58	8.55	6.55						

Index-linked	Inflation 5% Jan 18	Jan 17	Yr. ago	Inflation 10% Jan 18	Jan 17	Yr. ago
Up to 5 yrs	4.08	4.07	2.17	3.72	2.90	1.39
Over 5 yrs	3.90	3.89	2.90	3.70	3.71	2.74

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 18	Jan 17	Jan 16	Jan 13	Jan 12	Yr ago	High*	Low*
Govt. Secs. (UK)	90.91	91.07	90.97	91.12	90.75	106.91	107.04	89.54
Fixed Interest	109.35	109.34	109.25	109.25	109.16	132.79	233.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 17	Jan 16	Jan 13	Jan 12	Jan 11
Gilt Edged bargains	88.5	91.0	80.4	78.7	85.8
5-day average	84.9	85.0	84.2	83.7	85.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 18

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88¾	89		8.43
Alberta Province 7⅝ 98	1000	98⅜	98¾		8.12
Austria 8½ 00	400	101⅝	102		8.09
Bank Ned Gemeenten 7 98	1000	96¼	96½		7.88
United Kingdom 7¼ 97	5500	100¾	100⅞	+⅛	6.80
Volkswagen Intl Fin 7 03	1000	94⅜	94⅞	+⅝	7.94
World Bank 0 15	2000	22⅛	22⅝	+⅛	7.48
World Bank 5⅞ 03	3000	88⅜	88½		7.74
World Bank 8¾ 00	1250	111⅝	112⅛	+2½	6.09
[illegible]					

STRAIGHT BONDS, FLOATING RATE NOTES, CONVERTIBLE BONDS: [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf	97	-¼	117	88¾	12.1	10.3	-
9¾pc Non-Cum Pf	117¼	—	137½	107	48.9	10.4	-
Cater Allen ‡†N□	454	—	*530¼	443	140.0	7.8	8.4
Close Bros ‡N	229	—	*289½	203	232.3	4.2	10.1
Gerrard & Nat ‡†N□	495	—	515	395	287.7	6.1	14.1
Hambros ‡N□	250	+7	473	209	441.2	7.5	15.3
7½pc Cv Pf	111	+2	191	99½	143.0	8.4	-
Joseph (L) ‡†N	393	—	443	393	28.8	5.6	11.4
King & Shaxson ‡N	103xd	—	170	103	17.8	10.9	10.2
Kleinwort Benson ‡†N□	576	+29	688	424	785.4	4.2	10.2
Rea Bros ‡†N□	66	—	79	53	27.4	1.8	18.6
Schroders ‡†N□	1443	-5	1574	1050	1,443	1.6	13.2
N/V †N	1315	+2	1458	1043	301.4	1.8	12.0
Singer & Fried ‡†N□	85½	—	114	75	168.0	4.6	11.0
Union ‡†N□	88	—	*199	87	23.7	6.3	8.2
Warburg (SG) ‡†N□	737	+41	1012	589	1,621	3.7	13.5
Wintrust ‡N	215	—	390	203	18.3	6.0	14.4

BANKS, RETAIL

Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl □	£22¾	-⅛	£25¾	£19⅝	6,666	5.0	ф
ANZ A$	232	-1	278¾	171	2,734	6.0	ф
Abbey National †N□	434	+4	523	380½	5,694	4.5	14.8
Allied Irish IE ‡†N□	288	—	314	233	1,786	4.7	10.3
Anglo Irish IE N□	60xd	-2	*70	50	182.4	8.3	9.7
Asahi Y □	710½	+1½	816¼	628	10,494	0.6	ф
Banco Bil Viz Pta □	£15⅜	+⅛	£17	£14⅛	3,601	5.3	7.0
Banco Sant Pta	624	—	*930½	623¼	3,627	6.0	8.4
Bk Ireland IE †N□	300	—	*319	246	1,428	4.8	8.7
Bank Scotland ‡†N□	203	+2	247	172½	2,373	3.3	11.4
9¾pc Pf	117¼	-¼	141½	106	117.2	9.8	-

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following Investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

FOR MERCHANT BANKS SEE BANKS, MERCHANT

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

TVX Gold ♥	408¼p	-13	490½p	338¼p	648.4	–
Toronto-Dom	9⅜xd	-⅛	11¼	9⅛	2,746	4.3
Trans Can Pipe ♥	7⅞	-⅛	10⅞	7⅞	1,378	4.9

SOUTH AFRICANS

	Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31	—	£34	£13½	2,822	2.4	22.7
Barlow	‡	£5¾	-⅛	£5⅛	£3½	1,047	1.9	18.6
Gold Flds Prop R		138xd	—	162	75	34.2	7.8	ϕ
NK Props		87½	—	88	85	3.52	13.8	–
SASOL	♥	488	-4	582	280	2,888	3.0	–
SA Brews	†	£14⅞	—	£16⅞	£10	4,010	2.0	22.4
Tiger Oats		758	—	838	538	1,128	2.0	17.5
Tongaat-Hulett	†h	701	—	*725	350¼	638.9	2.1	20.3

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding *exceptional profits/losses* and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the *Stock Exchange Automated Quotation system (SEAQ)* and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ⁑ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ *Indicated dividend yield after pending scrip and/or rights issue.*
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q *Earnings based on preliminary figures.*
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all.
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2264. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent *the next working day, subject to availability.*

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Shares recover in spite of poor RPI numbers

By Terry Byland, UK Stock Market Editor

A relatively successful performance by UK equities yesterday in the face of somewhat negative economic developments failed to convince the market professionals that the mood has changed. Most saw the market continuing to trade within its existing range as it digests this week's heavy list of global economic statistics.

The FT-SE 100-share Index edged into positive territory at the close, helped by a rally in the bond markets; at its final reading of 3,054.9, the index was 0.5 up. The FT-SE Mid 250 Index shed 1.6 to 3,465.

Prospects for domestic interest rates, which have dominated the market since the turn of the year, turned negative again following the announcement of an unexpected rise of 0.5 per cent in the headline December retail price index. "This makes a base rate rise before the end of the quarter virtually inevitable," said one leading analyst.

Interest rate worries were not helped by confirmation that the Halifax Building Society, Britain's largest home loan group, will raise mortgage rates today, although by less than ½ percentage point, according to the society. Such a move would be largely a catch-up rise for mortgage rates rather than an indication of new pressures, but would do little for the battered confidence of British consumers.

Both bonds and equities fell on the RPI news, the Footsie dipping just over 10 points at the day's low. The retail data was balanced by a slight moderation in November average earnings levels, although analysts warned that upward pressures on wages are strengthening.

Reports, originating in the futures markets, that the Bundesbank plans to trim German interest rates today helped to calm nerves, although London analysts believed that interest rate policies in the UK will be driven by domestic considerations.

The rally in equities in the second half of the session brushed off a dull opening on Wall Street, where the Dow Average was nearly 20 points down in UK trading hours. Traders claimed that share prices were helped by share option expiries in the derivatives markets, where the prospect of the expiry tomorrow of an index option was also a factor. A buy programme from a UK bank was also noted as shares advanced.

The recovery came mostly in the blue chip stocks, and the Footsie was boosted by a rise in S.G. Warburg on a new wave of bid rumours; a US or a German bank was thought to be a likely bidder. There was a steep rise in Mercury Asset Management, the subsidiary which proved the stumbling block in Warburg's merger talks with Morgan Stanley.

Other merchant banking and allied stocks moved sharply as the market assessed the implications for the sector of a successful bid for Warburg.

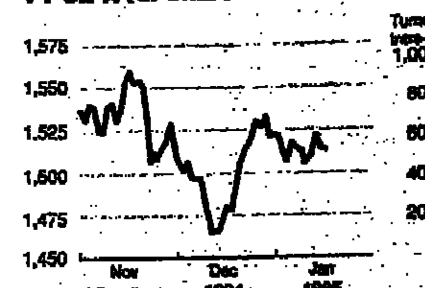
The market's hopes of benefit from the Christmas retail season received a further blow from a disappointing trading statement from Kingfisher, one of the leading high street store groups. This morning will bring the official UK retail sales statistics for December, and the stock market also awaits trading news from Marks and Spencer, the brightest star in the retailing sector.

Trading volume of 606.6m shares through the Seaq system yesterday compared with 520.2m in the previous session when retail, or genuine customer, business in equities remained solid at a worth of £1.22bn.

Traders appeared to be becoming increasingly nervous regarding the near term outlook for the UK equity market. Since the turn of the year, share prices have traded steadily within a narrow range and resisted uncertainty on the interest rate front.

Strategists believe that the market is now close to a break-out point; however, views are polarised between optimism and pessimism.

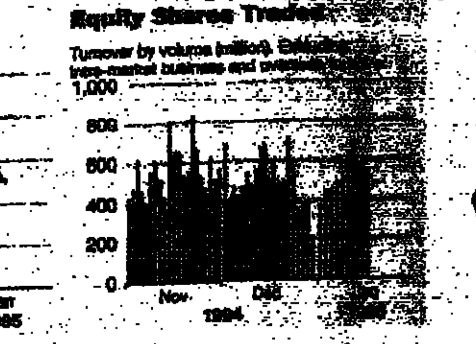
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3054.9	+0.5
FT-SE Mid 250	3465.0	-1.6
FT-SE-A 350	1529.4	n/c
FT-SE-A All-Share	1513.85	-0.02
FT-SE-A All-Share yield	4.03	(4.03)
FT Ordinary Index	2338.1	-6.9
FT-SE-A Non Fins p/e	17.88	(17.85)
FT-SE 100 Fut Mar	3063.0	-2.0
10 yr Gilt yield	8.73	(8.72)
Long gilt/equity yld ratio:	2.19	(2.18)

Best performing sectors

1 Banks, Merchant ..... +2.6
2 Retailers, Food ..... +1.0
3 Household Goods ..... +0.8
4 Extractive Inds ..... +0.7
5 Other Financial ..... +0.6

Worst performing sectors

1 Other Services & Bsns ..... -2.5
2 Water ..... -1.4
3 Tobacco ..... -1.2
4 Spirits, Wines & Cider ..... -1.0
5 Retailers, General ..... -0.6

Warburg on alert again

S.G. Warburg, regarded by many as the UK's premier merchant bank, and its 75 per cent owned fund management associate Mercury Asset Management, posted two of the biggest gains in the market as rumours of imminent corporate activity involving the two groups circulated in the City.

Morgan Stanley, the US investment bank, held merger talks with Warburg last month, but these broke down as the groups could not agree on a price for the Mercury business.

Dealers said the usual suspects were trotted out: HSBC, Deutsche Bank, JP Morgan and Dresdner Bank. Deutsche Bank, rumoured to be preparing a rights issue to fund a bid, quickly denied the stories, while JP Morgan declined to comment.

Specialists refused to rule out predatory moves against Warburg/Mercury and pointed to the unusually high levels of activity and big moves in both stocks. "This was not simply an amateurish attempt to ramp the shares," said one dealer, who added that it was the Mercury share price that moved up first yesterday, triggering the surge of rumours in Warburg.

Analysts said any bid for Warburg would have to be in the region of 950p a share to stand any chance of success, given that its asset value alone stands at 800p-plus. A reasonable exit price for Mercury was said to be in the region of £10.50. It was pointed out that a bidder could easily introduce big cost savings at Warburg, similar to the cuts made only last week when Warburg shut down its eurobond department, saving around £25m a year.

S.G. Warburg shares raced up 41 to 737p, on heavy turnover of 2m. Mercury shares leapt 52 to 748p on turnover of 1.1m.

The excitement sweeping through the merchant banks area saw **Kleinwort Benson**, perceived to be another prime takeover target in the sector, surge 29 to 576p with 1.4m shares changing hands.

Kingfisher gloom

Stores group **Kingfisher** was by far the hardest hit stock in the Footsie list yesterday. The shares fell heavily on record turnover, and analysts cut forecasts in response to the company's latest trading statement. The statement poured fuel on a bear story which has seen the stock plummet 40 per cent over the past 12 months.

Kingfisher said Woolworths was expected to post a shortfall of around a third in operating profits against the last full year, and it reported a 10.6 per cent fall in like-for-like sales at Comet.

Analysts downgraded forecasts from a range of £310m to £330m this year to below £300m and Kingfisher shares dropped 19 to 402p with turnover reaching 15m.

S.G. Warburg, one of the house brokers, is believed to have taken the stock off the buy list, although the relevant analyst was unavailable for comment. And BZW, a long standing seller of the stock, moved to £280m from £315m previously.

Mr Tony Shiret, of BZW, said that despite the sharp slide – the shares have underperformed the FT-SE All-share index and the sector substantially on a one and two-year view – he saw no reason to turn more positive. "We do not feel the fundamental problems regarding competitive vulnerability in two or three core businesses have been addressed," he said.

BAe strong

British Aerospace bounded ahead by 9¼ to 460½p in 5.9m turnover following confirmation that it was about to finalise a turbo-props link with ATR, a joint venture between Aerospatiale, of France, and Alenia, of Italy.

Submarine maker VSEL gained a further 13 at 1463p for a five-day advance of almost 6 per cent. Bids for VSEL from BAe and electronics giant GEC await a mid-March monopolies ruling. Despite yesterday's gain, VSEL stands at a 71¼p discount to the value of BAe's all-share offer.

Steel in demand

British Steel roared up the Footsie activity charts following upbeat comments by the company on steel prices and volume at a dinner with analysts on Tuesday. The day's volume was 23m, including five deals totalling 12m shares.

Sentiment was further buoyed by yesterday's results statement from Thyssen Stahl. The German steel giant sees steel prices rising by 4 per cent in the 1995 third quarter and this plainly reinforced the London market's optimism. British Steel finished 3½ higher at 155½p.

The composite insurers picked up well after an uncertain start, helped by news that Direct Line, Royal Bank of Scotland's direct selling insurance subsidiary, had decided not to cut its motor insurance premiums.

TeleWest, the cable television group, ran up 5 to 180½p ahead of news expected shortly of subscriber and other operational figures.

The water issues were given a rough ride after the utilities team at BZW was said to have taken the sector off its buy list, shifting it to a hold.

The worst performers in the sector included Welsh, down 17 at 610p, Northumbrian, off 12 at 700p, and Yorkshire, 9 lighter at 505p, all of which were said to have been labelled sells by BZW.

Exhibitions and conference company Blenheim plunged 35 to 199p after warning on 1994 year-end profits. Analysts said BZW, one of the company's brokers, cut its forecasts for the group by £2m to £33m.

Television group Sunset and Vine moved forward 6 to 126p after a subsidiary won the contract to cover UK cricket for BSkyB.

Pharmaceuticals group Wellcome, hard hit by the failure to get US provisional approval to sell its anti-herpes treatment without prescription, recovered 16 to 679p.

Chiroscience, the pharmaceuticals group floated a year ago, jumped 16 to 113p ahead of a key research meeting.

Diversified industrial BTR got the better of some modest switching with Hanson, firming 1½ to 304½p. Hanson eased ¾ to 243½p in 9.5m turnover.

The two-way pull in Tomkins left the shares 1¼ better at 233½p on 5.8m traded, with Robert Fleming confident about the group's operating margins and recommending a buy but Williams de Broe more cautious, urging a sell into strength.

Leading brewer Bass was also a switch beneficiary, gaining 6 at 520p in modest turnover at the expense of Guinness, which dipped 8 to 420p on 7.3m volume as S.G. Warburg downgraded its profits estimate by £10m to £905m.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jan 18	Jan 17	Jan 16	Jan 13	Jan 12	Yr ago	*High	*Low
Ordinary Share	2338.1	2345.0	2365.6	2345.8	2338.4	2654.1	2713.6	2240.6
Ord. div. yield	4.47	4.46	4.42	4.46	4.47	3.52	4.61	3.43
Earn. yld. % full	6.56	6.54	6.48	6.54	6.56	3.98	6.75	3.82
P/E ratio net	17.64	17.69	17.85	17.70	17.65	31.69	33.43	16.94
P/E ratio nil	17.09	17.13	17.28	17.14	17.09	29.37	30.80	16.67

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2343.3	2345.4	2337.5	2335.3	2342.7	2344.0	2339.9	2341.9	2338.8	2347.4	2334.6

	Jan 18	Jan 17	Jan 16	Jan 13	Jan 12	Yr ago
SEAQ bargains	20,014	21,188	21,244	19,430	19,770	49,145
Equity turnover (£m)†	-	1218.4	1227.7	1248.0	1312.9	2632.5
Equity bargains†	-	29,244	29,572	26,334	27,587	54,842
Shares traded (ml)†	-	561.4	581.7	590.7	669.7	1131.8

†Excluding intra-market business and overseas turnover.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. Vol	Open int.
Mar	3069.0	3063.0	-2.0	3086.0	3053.0	15011	68055
Jun	3071.5	3074.0	-2.0	3071.5	3071.5	200	5068
Sep		3098.0	-2.0			0	20

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. Vol	Open int.
Mar	3471.0	3470.0	-20.0	3471.0	3471.0	3	3947

■ FT-SE 100 INDEX OPTION (LIFFE) (*3055) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Jan	155½	1	105½	1	55½	1	16½	12½	1½	53	1	102	1	152	1	202
Feb	174	10	132½	17	95½	30½	62	48½	37	74½	19	109	9	153	4	202
Mar	187	24½	149	36½	113	51½	83	71½	59	97½	39	128½	25½	165½	34	207
Apr	209½	47½	173	81	140½	77½	118½	96½	88	124½	66½	152½	48½	185½	34	222
Jun†	229½	81			166½	95½			112½	142			71½	200½		

Calls 5,662 Puts 6,005

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Jan	180	1	130½	1	78½	1	33	5	5½	27½	1	72½	1	123	1	173
Feb	193	5	149	11	109½	21	75½	36½	47	58	27	87½	14	124½	6½	166½
Mar	204	18	164	27½	128	41	95	55½	69	81	47½	106½	30½	141½	18½	179
Jun			217	71½			156½	107½			105½	156			80½	214
Sept†			257½	91½			198	128			147½	173½			108	227½

Calls 2,068 Puts 4,522 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.99	99	90½	Asset Man Inv	99		-	-	-	-
-	F.P.	4390.5	259	245	BSkyB	256	+2	N-	-	-	48.2
-	F.P.	39.0	64	43	Brit Assets Gth	63½	+1	-	-	-	-
-	F.P.	1.93	6½	5½	Cale. Media Wrts	6½	+1	-	-	-	-
-	F.P.	68.5	173	133	Clydeport	166	-1	RN3.51	-	2.6	-
$10	F.P.	35.1	625	575	First Russian Fr	585		-	-	-	
500	F.P.	45.3	510	490	Gartmore Mic Uts	510	+2	-	-	-	-
-	F.P.	27.7	102	94	Hill Hire	102		N3.38	2.0	4.1	12.7
-	F.P.	217.7	92	80¼	Invest Capital Gth	88	+½	-	-	-	-
-	F.P.	94.0	39	36	Do Inc Annuity	36	+½	F5.8	-	17.4	-
100	F.P.	27.0	103	100	Kiln Capital	100		F4.0	-	5.0	-
-	F.P.	27.8	55	53½	Lazard Birla India	53½	-¼	-	-	-	-
-	F.P.	3.27	32½	30½	Do Warrants	31½		-	-	-	-
§3	F.P.	5.55	3½	3	MICE Group	3¼		bN0.1	3.2	3.7	10.4
100	F.P.	41.0	94	82	Matheson Lloyds	82	-3	-	-	-	-
-	F.P.	21.0	130	100	Pentex Oil	105		-	-	-	-
175	F.P.	35.2	210	203	RM	209	+2	N4.8	3.1	2.9	13.5
182	F.P.	1531.0	188	167	TeleWest	180½	+5	-	-	-	-
100	F.P.	17.6	102	102	Wellington Un.	102		-	-	-	-
-	F.P.	262.1	128	118	Woodchester Units	125		-	-	-	-

FT GOLD MINES INDEX

	Jan 17	% chg on day	Jan 16	Jan 13	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1804.86	-0.2	1808.93	1832.79	2358.37	2.42	2358.37	1762.62
■ Regional Indices								
Africa (16)	2734.05	-0.7	2752.67	2841.64	3124.30	5.14	3711.87	2304.45
Australasia (7)	2197.64	-0.8	2215.30	2198.16	3009.18	2.31	3013.89	2129.35
North America (11)	1473.82	+0.2	1471.32	1481.90	2039.65	0.89	2039.65	1388.34

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Jan 18: 215.5 ; day's change: +4.1 Year ago: 244.1 † Partial. Latest prices unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jan 18	Day's chge%	Jan 17	Jan 16	Jan 13	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3054.9	.....	3054.4	3076.7	3048.3	3475.1	4.22	7.27	16.25	2.66	1167.33
FT-SE Mid 250	3465.0	.....	3466.6	3473.9	3465.3	4148.8	3.65	6.29	18.96	5.93	1307.73
FT-SE Mid 250 ex Inv Trusts	3475.5	-0.1	3477.5	3484.2	3476.5	4160.7	3.80	6.80	17.67	6.15	1309.91
FT-SE-A 350	1529.4	.....	1529.4	1538.7	1526.9	1760.6	4.09	7.05	16.80	1.63	1196.16
FT-SE-A 350 Higher Yield	1561.8	+0.1	1560.6	1575.0	1564.0	1779.1	5.10	7.50	15.94	2.37	1004.31
FT-SE-A 350 Lower Yield	1496.8	-0.1	1498.0	1502.3	1489.7	1697.9	3.07	6.58	17.78	0.90	987.21
FT-SE SmallCap	1740.18	.....	1740.40	1742.10	1740.06	2014.21	3.32	6.31	19.93	1.09	1361.03
FT-SE SmallCap ex Inv Trusts	1717.67	.....	1718.06	1719.80	1719.37	1977.35	3.52	7.06	18.02	1.21	1348.06
FT-SE-A ALL-SHARE	1513.85	.....	1513.87	1522.47	1511.59	1743.78	4.03	6.99	17.01	1.56	1204.04

■ FT-SE Actuaries All-Share

	Jan 18	Day's chge%	Jan 17	Jan 16	Jan 13	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2668.54	-0.2	2671.97	2676.64	2652.74	2640.20	3.53	5.08	24.88	0.00	1076.53
12 Extractive Industries(7)	3602.96	+0.7	3577.02	3616.70	3613.69	3932.67	3.36	5.40	22.89	0.00	994.21
15 Oil, Integrated(3)	2661.25	-0.4	2672.26	2672.22	2643.80	2564.57	3.66	5.64	22.06	0.00	1098.99
16 Oil Exploration & Prod(15)	1877.40	-0.1	1879.05	1878.18	1860.90	1968.72	2.60	‡	‡‡	0.00	1086.23
20 GEN INDUSTRIALS(279)	1847.24	.....	1846.63	1852.46	1840.02	2168.27	4.22	5.76	20.75	0.22	950.27
21 Building & Construction(38)	965.31	+0.5	960.12	956.92	957.93	1508.76	4.02	6.33	20.69	0.00	762.19
22 Building Matls & Merchs(32)	1751.30	-0.2	1755.36	1759.72	1747.04	2380.48	4.27	6.19	19.46	0.00	833.48
23 Chemicals(23)	2287.45	+0.2	2283.14	2294.83	2276.12	2395.25	4.13	4.75	26.15	0.50	1022.27
24 Diversified Industrials(16)	1808.23	-0.2	1811.26	1818.65	1799.79	2141.89	5.21	6.35	18.18	0.00	936.26
25 Electronic & Elect Equip(36)	1906.08	+0.1	1904.36	1926.27	1923.63	2171.23	3.98	6.70	17.75	0.76	942.23
26 Engineering(72)	1777.47	+0.4	1769.54	1770.47	1764.34	1907.41	3.40	5.50	21.32	0.47	1024.87
27 Engineering, Vehicles(13)	2122.97	-0.4	2131.48	2134.54	2124.41	2408.47	4.71	1.61	80.00†	0.00	1039.23
28 Paper, Pckg & Printing(28)	2805.41	-0.1	2809.36	2805.78	2769.40	2978.12	3.13	5.74	20.19	0.00	1110.84
29 Textiles & Apparel(21)	1518.76	.....	1518.31	1518.49	1511.59	2013.61	4.46	6.46	20.12	0.00	869.55
30 CONSUMER GOODS(96)	2792.39	-0.1	2795.29	2821.74	2800.56	3047.77	4.32	7.27	15.99	7.07	972.89
31 Breweries(18)	2208.68	+0.5	2197.54	2212.81	2188.90	2464.52	4.33	8.09	14.90	10.13	1011.02
32 Spirits, Wines & Ciders(10)	2574.86	-1.0	2601.02	2647.80	2624.51	3085.97	4.49	7.40	15.62	25.80	879.00
33 Food Producers(24)	2309.96	-0.2	2314.75	2332.79	2326.95	2600.64	4.23	7.82	15.57	3.92	984.47
34 Household Goods(10)	2437.40	+0.8	2418.36	2419.58	2399.73	2790.16	3.65	7.40	16.28	0.45	883.16
36 Health Care(18)	1567.12	-0.2	1570.68	1576.05	1565.79	1908.13	3.18	3.53	39.44	0.43	915.43
37 Pharmaceuticals(13)	3321.00	+0.5	3304.49	3332.39	3317.22	3247.23	4.05	6.43	17.99	0.00	1065.34
38 Tobacco(2)	3760.23	-1.2	3805.23	3837.09	3750.11	4395.86	5.72	9.69	11.27	0.00	857.74
40 SERVICES(231)	1873.87	-0.2	1876.74	1883.28	1870.03	2207.77	3.35	7.17	16.84	2.00	929.72
41 Distributors(32)	2488.88	-0.2	2494.62	2495.51	2481.01	3182.01	3.76	12.49	9.69	1.53	870.24
42 Leisure & Hotels(29)	2090.55	-0.2	2093.68	2104.97	2095.17	2323.50	3.45	5.67	20.81	6.99	1040.11
43 Media(43)	2711.86	-0.5	2724.33	2726.98	2697.25	3160.29	2.59	5.65	20.65	1.76	944.86
44 Retailers, Food(16)	1785.23	+1.0	1766.83	1770.89	1749.24	1914.20	3.68	8.98	13.74	1.85	1078.52
45 Retailers, General(45)	1548.61	-0.6	1558.14	1566.16	1553.46	1886.52	3.45	7.50	16.54	1.44	843.63
48 Support Services(38)	1501.70	.....	1502.09	1507.00	1497.99	1662.97	2.79	6.39	18.43	0.30	919.90
49 Transport(21)	2226.39	-0.1	2228.99	2239.18	2245.47	2765.16	3.82	6.56	17.96	0.37	879.51
51 Other Services & Business(7)	1221.58	-2.5	1252.80	1252.18	1248.46	1339.75	3.66	3.71	36.82	2.82	1062.16
60 UTILITIES(37)	2399.07	-0.1	2401.16	2424.07	2416.26	2699.18	4.47	7.76	15.71	4.95	944.49
62 Electricity(17)	2489.41	-0.1	2490.81	2507.42	2510.82	2505.40	3.91	10.11	11.79	13.80	1062.70
64 Gas Distribution(2)	2064.46	+0.5	2054.86	2077.25	2045.76	2279.84	5.80	‡	‡	0.00	969.68
66 Telecommunications(5)	2015.41	+0.1	2013.63	2033.62	2032.00	2416.53	4.06	7.42	16.47	0.00	874.69
68 Water(13)	1737.37	-1.4	1762.11	1786.78	1769.95	2122.93	5.78	13.82	7.90	4.82	885.90
69 NON-FINANCIALS(667)	1643.84	-0.1	1645.33	1654.61	1643.69	1852.84	4.00	6.72	17.86	2.02	1175.57
70 FINANCIALS(119)	2103.59	+0.4	2094.81	2108.59	2086.78	2680.73	4.59	9.60	12.12	0.06	839.92
71 Banks, Retail(9)	2742.53	+0.4	2731.97	2753.17	2716.54	3457.02	4.46	10.44	10.97	0.00	825.90
72 Banks, Merchant(8)	3035.88	+2.6	2959.36	2953.03	2927.08	3662.20	3.68	9.19	12.70	0.00	922.06
73 Insurance(27)	1161.99	-0.1	1162.93	1173.72	1159.82	1664.96	5.38	10.13	11.26	0.03	803.48
74 Life Assurance(6)	2375.38	+0.4	2364.93	2370.78	2347.88	2921.37	5.36	7.84	15.55	0.00	919.30
77 Other Financial(23)	1882.43	+0.6	1870.46	1869.04	1863.10	2201.69	3.96	7.56	15.79	0.45	1017.19
79 Property(46)	1366.35	+0.1	1364.47	1376.05	1375.60	1880.06	4.40	7.79	16.07	0.12	792.87
80 INVESTMENT TRUSTS(133)	2631.80	+0.2	2626.42	2633.43	2619.19	3126.24	2.37	2.04	49.06	2.10	889.91
89 FT-SE-A ALL-SHARE(919)	1513.85	.....	1513.87	1522.47	1511.59	1743.78	4.03	6.99	17.01	1.56	1204.04
FT-SE-A Fledgling	999.37	-0.1	1000.20	1002.11	1000.84	-	2.87	-	-	0.97	1000.34
FT-SE-A Fledgling ex Inv Trusts	1001.74	-0.1	1002.83	1005.06	1003.85	-	3.03	-	-	1.05	1002.80

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3052.5	3054.2	3045.8	3045.3	3056.5	3059.0	3054.4	3059.2	3055.5	3061.0	3044.2
FT-SE Mid 250	3464.5	3465.4	3462.5	3460.5	3462.1	3462.7	3462.4	3462.4	3464.4	3467.9	3460.4
FT-SE-A 350	1528.4	1529.2	1525.7	1525.3	1529.7	1530.8	1529.0	1530.9	1529.6	1531.5	1524.9

Time of FT-SE 100 Day's high: 12.35pm Day's low: 10.45am. FT-SE 100 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	898.5	902.6	904.5	904.9	905.4	905.9	905.9	905.9	906.8	906.8	897.7	+9.1
Pharmaceuticls	3272.7	3271.1	3254.7	3269.0	3284.7	3292.4	3291.0	3297.5	3293.0	3293.6	3278.2	+15.4
Water	1752.3	1742.9	1730.5	1728.4	1730.4	1731.7	1731.3	1731.3	1732.4	1732.8	1757.9	-25.1
Banks, Retail	2765.1	2763.7	2767.4	2757.0	2774.9	2782.2	2776.3	2780.9	2779.0	2777.5	2766.8	+10.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. CONSTITUENT CHANGES: DELETION: Bletchley Motor (Fledgling). NAME CHANGES: Stemin is now Water Hall Group (Fledgling). Securitised Endowment Contracts is now SEC (Fledgling).

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	2,100	348	+7
ASDA Group†	5,700	67¼	+¼
Abbey National†	3,300	434	+4
Albert Fisher	14,000	46	
Allied Domecq†	1,200	537	-3
Anglian Water	1,200	484	-2
Argos	340	380	-1
Argyll Group†	11,000	260½	+6
Arjo Wiggins†	2,800	245½	-½
Assoc. Brit. Foods†	391	582	+4
Assoc. Brit. Ports	864	275	
BAA†	4,800	481	-2
BAT Inds.†	8,700	450½	-6½
BET	1,100	109½	-3
BICC	775	354	-3
BOC†	2,800	728	+1
BP†	15,000	420½	-4
BPB Inds.	1,000	312	
BT†	26,000	401½	+6½
BTR†	13,000	304½	+1½
Bank of Scotland†	4,700	205	+2
Barclays†	4,300	587	+2
Bass†	2,200	520	+6
Blue Circle†	1,600	282	-2
Booker	89	406	+1
Boots†	2,500	487½	-1½
Bowater†	2,300	447	+1
Brit. Aerospace†	7,800	460½	+9½
British Airways†	2,400	375	
British Gas†	11,000	312	+1½
British Land	12	380	+1
British Steel†	23,000	155¼	+3½
Bunzl	672	171	-2
Burmah Castrol†	1,500	847	+2
Burton	4,100	60¾	-2¼
Cable & Wire†	6,800	378	-3
Cadbury Schweppes†	1,600	410	
Caradon†	2,800	245	-3
Carlton Comms.†	1,300	863	+3
Coats Viyella	277	190	+1
Comm. Union†	1,100	508	-
Cookson	349	255	
Courtaulds†	1,800	445	-1
Dalgety	1,000	412	+2
De La Rue†	881	1001	-1
Dixons	4,800	200½	+½
Eastern Elect.†	862	733	-1
East Midland Elect.	684	770	-4
Electrocomps	154	487	-4
Eng China Clays	581	357	-1
Enterprise Oil†	1,700	402	-2
Eurotunnel Units	235	312	-2
FKI	4,800	157	
Fisons	3,300	107	-1
Foreign & Col. I.T.	1,300	132½	+½
Forte†	4,400	242	-3
Gen. Accident†	3,200	526	+1
General Elect.†	5,000	289½	+½
Glaxo†	8,800	674½	-1½
Glynwed	2,000	326	-2
Granada†	2,800	502	
Grand Met.†	8,700	370	-2
GUS†	581	544	+1½
GRE†	2,200	174	+2
GKN†	2,700	582	+3
Guinness†	8,500	420	-8
HSBC (75p shs)†	4,200	655	-4
Hammerson	486	328	+5
Hanson†	11,000	243½	-¾
Harrisons Crosfield	5,800	145	
Hays	811	298	+1
Hillsdown	1,800	177	
IMI	711	301	-3
ICI†	4,800	781	-4
Inchcape†	992	407	+1
Johnson Matthey	771	533	+2
Kingfisher†	1,500	402	-19
Kwik Save	608	550	-1
Ladbroke†	1,200	172	-1
Land Securities†	1,800	571	-1
Laporte	178	692	+3
Legal & General†	2,000	440	-2
Lloyds Abbey	145	335	+5
Lloyds Bank†	4,300	555	+1½
LASMO	863	143	+1
London Elect.	1,500	712	-4
Lonrho	2,400	160½	+1
Lucas	1,400	191	-2
MEPC†	1,800	380	-3½
MFI	987	124½	-3½
Manweb	185	816	-8
Marks & Spencer†	4,300	390½	-1
Midlands Elect.	221	781	+6
Morrison (Wm.)	202	142	
NFC	3,900	170	
NatWest Bank†	5,500	487	-9
National Power†	1,400	487	
Next	820	259½	-3½
North West Water†	1,900	513	-9½
Northern Elect.	973	971	-3
Northern Foods	897	215	-1
Norweb	530	809	+3
Pearson†	1,800	585	-2
P & O†	2,200	576	+1
Pilkington	1,400	161	+3
PowerGen†	1,300	537	-1
Prudential†	3,400	317	+5
RMC†	1,100	955	-4
RTZ†	6,300	785	+7
Racal	2,400	232	+4
Rank Org.†	8,200	389	+8
Reckitt & Colman†	3,700	612	+6
Redland†	1,800	441	+1
Reed Intl.†	1,500	767	-4
Rentokil†	1,800	232	+1
Reuters†	6,200	456	-3
Rolls Royce†	2,500	167	+3½
Ryl Bk Scotland†	3,200	390	+1
Royal Insurance†	3,100	288	-3
Sainsbury†	4,800	419½	-½
Schroders†	58	1443	-5
Scottish & New.†	1,800	511	+5
Scot. Hydro-Elect.	451	326	+1
Scottish Power†	3,200	340	+1
Sears†	8,300	102½	
Sedgwick	1,900	152	-1
Seaboard	1,200	482	+4
Severn Trent†	2,300	512	-6½
Shell Transport†	6,200	707	
Siebe†	1,200	536	-3
Slough Ests.	272	222	+2
Smith (W.H.)	1,300	444	-8
Smith & Nephew†	6,200	153	-½
SmKl Beecham†	5,900	474	+1
SmKl Beecham Uts.†	4,500	441	+4
Smiths Inds.	631	472	+5
Southern Elect.†	1,600	749	+4
South Wales Elect.	244	832	-8
South West Water	405	481	-8
South West. Elect.	389	804	-7
Southern Water	922	647	-8
Standard Chartd.†	6,900	289	+10
Storehouse	724	228½	+½
Sun Alliance†	995	296	
T&N	690	159	
TI Group†	3,300	389	+1
TSB†	4,500	227	
Tarmac	7,000	113½	
Tate & Lyle	704	439	-4
Taylor Woodrow	1,100	126	+1
Tesco†	8,800	248½	+6
Thames Water†	2,600	477	-3
Thorn EMI†	2,400	1014	-7
Tomkins†	1,600	230½	-1½
Trafalgar House	1,300	72	+½
Unigate	351	387	-3
Unilever†	968	1165	-7
United Biscuits†	3,100	316	-1
Utd. Newspapers	876	477	-3
Vodafone†	9,900	194½	-6½
Warburg (SG)†	2,000	737	+41
Wellcome†	4,100	670	+16
Welsh Water	206	610	-17
Wessex Water	373	278	-3
Whitbread†	1,400	567	+2
Williams Hldgs.†	2,300	385	-2
Willis Corroon	854	147	-3
Wimpey	87	134	
Wolseley†	1,300	770	+4
Yorkshire Elect.	317	778	-8
Yorkshire Water	389	585	-9
Zeneca†	3,000	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded.

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 18 / Sch)

BELGIUM/LUXEMBOURG (Jan 18 / Frs.)

CZECH REP (Jan 18 / Koruna)

DENMARK (Jan 18 / Kr)

FINLAND (Jan 18 / Mks)

FRANCE (Jan 18 / Frs.)

GERMANY (Jan 18 / Dm.)

GREECE (Jan 18 / Drachma)

ITALY (Jan 18 / Lira)

NETHERLANDS (Jan 18 / Fls.)

NORWAY (Jan 18 / Kroner)

POLAND (Jan 17 / Zloty)

PORTUGAL (Jan 18 / Escudo)

SPAIN (Jan 18 / Pts.)

SWEDEN (Jan 18 / Kronor)

SWITZERLAND (Jan 18 / Fr.)

TURKEY (Jan 18 / Tk Lira)

PACIFIC

JAPAN (Jan 18 / Yen)

HONG KONG (Jan 18 / H.K.$)

INDONESIA (Jan 18 / Rupiah)

MALAYSIA (Jan 18 / MYR)

NEW ZEALAND (Jan 18 / NZ $)

SINGAPORE (Jan 18 / S$)

AUSTRALIA (Jan 18 / Aust$)

SOUTH KOREA (Jan 18 / Won)

TAIWAN (Jan 18 / TW $)

THAILAND (Jan 18 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jan 18 / Can $) 4 pm close

MONTREAL (Jan 18 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Jan 18 / Rand)

INDICES

	Jan 18	Jan 17	Jan 16	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	16063.84	15926.50	26470.40	16/2/94	13836.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1888.6	1880.6	1879.1	2340.60	3/2/94	1842.00	12/12/94
All Mining(1/1/80)	899.7	894.4	894.4	1136.10	3/2/94	875.80	10/1/95
Austria							
Credit Aktien(30/12/84)	380.34	383.79	385.19	469.86	2/2/94	376.94	25/10/94
Traded Index(2/1/91)	1013.94	1024.99	1029.75	1222.25	1/2/94	1011.38	6/6/94
Belgium							
BEL20 (1/1/91)	1361.88	1360.31	1369.55	1542.55	9/2/94	1336.39	7/10/94
Brazil							
Bovespa (29/12/83)	(u)	42098.0	40564.0	55110.00	13/9/94	3800.99	3/1/94
Canada							
Metals Minls♦(1975)	(u)	4271.46	4298.47	4298.47	18/1/95	3290.08	20/4/94
Composite♦ (1975)	(u)	4147.60	4164.70	4608.80	23/3/94	3858.90	24/6/94
Portfolio§§ (4/1/83)	(u)	2011.03	2020.20	2182.89	1/2/94	1868.48	28/6/94
Chile							
IPSA Gen (31/12/80)	(u)	5515.5	5544.3	5764.40	21/11/94	3801.30	4/4/94
Denmark							
CopenhagenSE(3/1/83)	349.09	349.72	350.76	415.79	2/2/94	335.88	20/12/94
Finland							
HEX General(28/12/90)	1864.6	1867.8	1889.9	1972.08	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1228.34	1228.94	1237.80	1585.20	2/2/94	1228.43	12/1/95
CAC 40(31/12/87)	1860.27	1856.94	1872.81	2355.93	2/2/94	1824.42	25/10/94
Germany							
FAZ Aktien(31/12/58)	776.96	778.95	778.47	858.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2211.8	2220.1	2219.2	2465.50	2/5/94	2116.38	5/10/94
DAX (30/12/87)‡	2078.85	2083.87	2085.64	2271.11	16/5/94	1980.58	7/10/94
Greece							
Athens SE(31/12/80)	821.29	833.80	838.92	1194.58	18/1/94	804.37	22/11/94
Hong Kong							
Hang Seng(31/7/64)	7630.20	7606.51	7504.24	12201.09	4/1/94	7252.34	13/1/95
India							
BSE Sens.(1979)	3654.35	3636.30	3653.17	4628.57	12/9/94	3454.08	5/1/94
Indonesia							
Jakarta Comp.(10/8/82)	449.84	449.10	447.30	612.89	5/1/94	441.87	13/1/95
Ireland							
ISEQ Overall(4/1/88)	1877.49	1874.96	1878.39	2062.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	671.35	671.35	668.87	817.17	10/5/94	661.64	13/12/94
MIB General (2/1/95)	1040.0	1061.0	1054.0	1061.00	17/1/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	10223.31	19241.32	(c)	21552.81	13/6/94	10223.31	18/1/95
Nikkei 300 (1/10/82)	275.54	276.64	(c)	311.71	13/6/94	268.22	4/1/94
Topix (4/1/68)	1499.46	1503.20	(c)	1712.73	13/6/94	1445.97	4/1/94
2nd Section (4/1/68)	2050.29	2067.41	(c)	2542.85	6/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	918.74	928.76	910.75	1314.46	5/1/94	895.77	12/12/94
Mexico							
IPC (Nov 1978)	(u)	2209.49	2243.01†	2881.17	8/2/94	1957.33	20/4/94
Netherland							
CBS TtlRtnGen(End 83)	441.4	441.1	443.0	454.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	276.9	276.7	277.9	294.80	31/1/94	257.80	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1954.63	1936.58	1928.18	2499.64	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1119.49	1110.21	1117.92	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2530.59	2554.40	2494.41	3308.37	4/1/94	2482.04	13/1/95
Portugal							
BTA (1977)	2837.9	2831.8	2843.7	3226.60	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	509.36	512.04	509.93	641.61	4/1/94	504.89	13/1/95
South Africa							
JSE Gold (28/9/78)	1810.1♥	1753.6	1778.2	2534.00	7/9/94	1749.00	14/2/94
JSE Indl. (28/9/78)	6668.0♥	6732.4	6824.2	6994.40	30/12/94	5446.00	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	988.66	958.98	957.88	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	282.22	281.90	282.44	358.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvarldenGen (1/2/37)	1529.80	1525.1	1529.7	1809.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1230.67	1224.17	1227.32	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	915.56	912.21	914.98	1093.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6623.52	6515.79	6536.65	7191.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1285.57	1265.15	1252.64	1753.73	4/1/94	1198.58	4/4/94
Turkey							
Istanbul Comp.(Jan 1986)	25928.0	25485.9	25533.9	29145.10	2/12/94	12988.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	615.3*	616.8	620.2	649.90	2/11/94	591.80	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1327.01	1329.85	1332.54	1540.19	31/1/94	1286.48	5/10/94
Euro Top-100 (26/6/90)	1175.32	1174.22	1181.55	1311.01	2/2/94	1136.48	5/10/94
JCapelDrgns (31/12/88)	(u)	282.42	276.77	365.19	5/1/94	271.76	16/1/95
Barings Emerg.(7/1/92)	(u)	147.93	147.29	181.79	26/9/94	137.81	11/1/95

** Sat Jan 14: Taiwan Weighted Price 6511.30. Korea Comp Ex 968.56. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 26 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 18 – 2085.62 +4.23.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40							
Jan	1865.0	1866.0	+4.00	1871.0	1851.0	17,554	23,263
Feb	1872.5	1875.0	+3.50	1876.0	1863.0	653	2,985
DAX							
Mar	2091.5	2099.0	+9.0	2099.5	2088.5	9,753	N/A
Jun	2115.0	2119.0	+4.55	2117.0	2110.5	902	N/A
OMX							
Jan	1173.0	1175.00	-0.75	1177.00	1156.50	7,011	20,440
Feb	1180.5	1181.50	+1.00	1181.75	1179.25	1,410	2,364
SOFFEX							
Jan	2585.0	2584.0	+5.6	2585.5	2578.6	4,142	11,257
Feb	2590.0	2602.0	+7.5	2603.0	2586.1	2,290	8,814

US INDICES

Dow Jones	Jan 17	Jan 16	Jan 13	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3930.66	3932.34	3908.46	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.77	94.89	94.58	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1550.04	1549.81	1528.62	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	186.99	188.00	183.96	227.06 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3953.69 (3956.56) Low 3885.33 (3889.95) (Theoretical♠)
Day's high 3934.70 (3936.72) Low 3916.19 (3907.45) (Actual♠)

Standard and Poors	Jan 17	Jan 16	Jan 13	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	470.05	469.38	465.97	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	557.83	556.41	553.69	583.10 (28/10/94)	510.05 (21/4/94)	583.10 (28/10/94)	3.62 (21/6/32)
Financial	43.50	43.62	43.03	48.84 (14/6/94)	39.87 (22/11/94)	49.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp	256.25	255.81	253.95	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (23/4/42)
Amex Mkt Val	438.09	437.53	436.13	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	772.14	768.16†	762.16	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Jan 13	Jan 6	Dec 30	Year ago
Dow Jones Ind. Div. Yield	2.73	2.76	2.79	2.62
	Jan 11	Jan 4	Dec 28	Year ago
S & P Ind. Div. yield	2.44	2.45	2.44	2.40
S & P Ind. P/E ratio	18.76	18.71	18.76	27.43

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonos	6,728,500	36½	+¾
Silicon Gr	3,419,900	32⅞	+½
Chrysler	2,864,300	51⅛	-1⅛
West Elec	2,862,700	14	+½
Chase Man	2,788,400	34¾	-⅜
Wal-Mart	2,688,900	21½	–
Citicorp	2,590,500	40⅞	-⅝
RJR Nabisco	2,501,000	5⅞	+⅛
K Mart	2,345,900	13½	+¼
Archer-Dan	2,166,700	19¾	-⅜

TRADING ACTIVITY

● Volume (million)

	Jan 17	Jan 16	Jan 13
New York SE	330.898	314.794	336.511
Amex	17.664	12.137	13.009
NASDAQ	311.437	275.527	287.540
NYSE			
Issues Traded	2,925	2,927	2,953
Rises	1,312	1,446	1,689
Falls	938	774	649
Unchanged	675	707	635
New Highs	55	74	56
New Lows	28	24	42

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Mar	471.60	471.60	-0.40	472.05	471.10	61,199	201,620
Jun	475.20	475.25	-0.70	475.25	475.25	248	9,920
Nikkei 225							
Mar	19330.0	19360.0	+10.0	19440.0	19310.0	18,352	110,544
Jun	19380.0	19420.0	+40.0	19470.0	19380.0	382	3,453

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/95, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Wednesday, January 18, 1994.

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Obayashi Corp	12.9m	710	+25	Sato Kogyo	5.5m	798	+24
Okumura Corp	9.6m	870	+70	Sumitomo Const	5.4m	485	+55
Sumitomo Osaka	8.2m	485	+20	Daisue Const	5.4m	611	+46
Nissan F&M Ins	7.0m	680		Nippon Sheet Glass	5.2m	567	+26
Tekken Corp	6.3m	918	+57	Taisei Corp	5.1m	625	+23

4 pm close January 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 3/8	11 7/8	AAR	0.48	3.5	24	133	13 3/4	13 1/2	13 5/8	-1/8
21 1/2	12 5/8	A L Labs A	0.18	0.8	48	308	u21 1/2	21 1/2	21 1/2	
78 3/8	57 5/8	AMP	1.68	2.3	22	1563	74 3/8	73 3/8	73 5/8	-3/4
72 3/4	49 1/8	AMR			125	9850	59 1/8	57 5/8	58 7/8	+1/8
56 1/8	38 5/8	ASA	2.00	4.4	30	612	46 1/8	45 1/2	45 7/8	+3/8
33 7/8	25 3/8	Abbott L	0.76	2.4	17	7314	32 3/8	31 7/8	32 1/8	-1/8
15 3/4	11 3/8	AbitibiPr	0.50	3.8	12	243	13 7/8	13 3/4	13 3/4	-1/4
23 7/8	17 3/4	ABM Ind	0.60	2.7	13	80	22 5/8	22 3/8	22 1/2	
18	11 1/8	Acptncelo			12	1179	16 1/2	16	16 1/2	+1/2
31	20 3/4	ACE Ltd	0.44	2.0	23	549	22 3/8	22 1/4	22 3/8	+1/8
12 1/2	9	ACM Gvt In x	1.09	11.2	8	168	9 3/4	9 5/8	9 3/4	+1/8
10 1/8	6 7/8	ACM GvOpp	0.80	10.6		82	7 1/2	7 3/8	7 1/2	+1/8
10 5/8	6 3/4	ACM Gvt Sp x	0.96	13.2		149	7 1/4	7 1/8	7 1/4	
12	7 3/8	ACM Gvt Se x	1.09	13.1		313	8 3/8	8 1/4	8 3/8	
11 3/4	7 3/8	ACM Man x	1.08	12.9		165	8 1/2	8 1/4	8 3/8	
9 3/4	7 1/4	ACM Managd x	0.72	9.6		107	7 5/8	7 3/8	7 1/2	+1/8
15 1/2	8 3/4	AcmeClv	0.44	3.9	22	204	11 1/4	11 1/8	11 1/4	-1/8
18 3/8	6 1/2	Acme Elect			20	1341	u19 7/8	18 1/4	19 7/8	+1 1/2
33 1/2	23	Acordia	0.60	1.8	16	16	32 7/8	32 1/2	32 5/8	-1/8
13 3/4	5 3/4	Actava	0.36	3.9	2	424	9 1/8	8 3/4	9 1/8	+3/8
18 3/4	11 1/4	Acuson			25	1060	16	15 5/8	15 7/8	+1/4
18 3/4	15 1/2	Adams Expr	0.36	2.2	0	166	16 1/8	16	16 1/8	+1/8
64 1/2	46 1/2	Ad Micro	3.00	4.7		276	u64 1/2	63	63 3/4	+1/4
32 1/8	18 3/4	AdvMic	3.00	9.3	9	20033	u32 1/4	31 1/2	32 1/8	+5/8
6 7/8	5	Advest Grp	0.16	3.0	15	111	5 3/8	5 1/4	5 1/4	-1/8
20	15	Advo Inc	0.10	0.6	16	105	18	17 3/4	17 3/4	
68 1/2	49 3/8	Aegon ADR	1.47	2.3	12	7	65	65	65	-1/8
5	3 3/8	Aerfin			7	218	3 7/8	3 3/4	3 7/8	+1/8
65 3/4	42 3/4	AetnaL	2.76	5.4	6	1731	50 7/8	50 1/4	50 7/8	+3/8
38 1/8	25 1/4	Afisc	0.46	1.4	12	1056	33 7/8	33 3/8	33 5/8	
22 3/4	15 1/4	Ahmanso	0.88	5.2	10	2142	17	16 5/8	17	+1/8
4	13/16	Aileen Inc			0	178	7/8	13/16	7/8	+1/16
50 3/8	38 7/8	AirPrC	0.98	2.1	22	1495	46 5/8	46 1/4	46 3/8	-1/4
39 7/8	18	Airbne Frt	0.30	1.3	11	648	22 5/8	22 1/4	22 3/8	+1/2
29 7/8	19 5/8	Airgas Inc			31	862	25 3/8	24 1/2	25	+1/2
17	10 7/8	Airlease	1.88	13.0	10	15	14 5/8	14 1/2	14 1/2	
30 5/8	21 3/8	AirTch			122	12480	28 3/4	27 3/4	28 1/4	-1/8
18 7/8	13 1/8	Alaska Air	0.20	1.3	28	789	15 1/8	14 7/8	15 1/8	
21 1/4	16 1/8	Albany Int	0.35	1.8	26	546	19 5/8	19 3/8	19 1/2	+1/8
17 5/8	13	Alberto	0.20	1.4	18	470	14 3/8	13 1/2	13 7/8	-3/8
27 1/2	19 3/8	AlbyCuB	0.28	1.1	16	28	26 1/2	26 3/8	26 3/8	-1/8
24 7/8	17 3/4	AlCultr A	0.28	1.2	17	89	23 3/8	23 1/8	23 1/2	
30 7/8	25 1/8	Alcatel	0.44	1.5	18	1896	29 7/8	29 1/4	29 1/2	-5/8
28 1/8	19 3/4	AlcnAl	0.30	1.1	150	4846	27 1/8	26 1/2	27	+3/8
87 3/8	49 1/2	AlcoSt	1.04	1.6	60	1110	67 1/4	66 1/4	66 1/4	-1 1/8
32 3/8	23 1/4	AlexBrown	0.70	2.1	5	381	u32 7/8	32 1/8	32 3/4	+5/8
22 3/4	14	AlexAl	0.10	0.5	159	488	20 7/8	20 1/8	20 3/4	+1/4
24 7/8	17	Allegh Lud	0.48	2.4	83	232	20 1/4	19 7/8	20	-3/8
26 1/2	19 3/4	AllegP	1.64	7.3	11	323	22 3/4	22 1/2	22 1/2	-1/8
25 5/8	13 1/2	Allen Con	0.20	0.8	22	955	25	24 1/8	24 3/8	-3/8
30 3/4	20	Allergan	0.44	1.6	16	985	27 7/8	27 1/8	27 3/8	+1/8
27 1/8	16 1/2	Allnce Cap	1.64	8.8	10	147	18 3/4	18 1/2	18 5/8	
10 1/2	8 5/8	Allnce Gl	0.18	2.0		59	9 1/8	9	9	
27 5/8	21 1/2	Aid Irish	0.90	3.7	14	7	24 3/4	24 1/4	24 3/4	
40 3/4	30 3/8	AldSig	0.67	1.8	13	3625	36 1/4	35 3/4	36 1/4	+1/8
11 5/8	8 3/4	Allmer	0.84	8.7		13	9 3/4	9 5/8	9 5/8	
31 3/8	24	Alltel Crp	0.96	3.1	19	2139	30 3/4	30 3/8	30 1/2	-1/8

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4 pm close January 18

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close January 18

AMEX COMPOSITE PRICES

4 pm close January 18

AMERICA

Profit taking hits Dow after Beige Book news

Wall Street

US shares gave back recent gains yesterday morning as investors took profits, *writes Lisa Bransten in New York.*

By 1pm, the Dow Jones Industrial Average was down 15.14 at 3,915.52. The Standard & Poor's 500 lost 1.15 at 468.90 and the Nasdaq composite 2.12 at 770.02. The American Stock Exchange composite firmed 0.64 to 439.73. NYSE volume was 196m shares.

Since last Thursday the Dow had gained more than 71 points, after weak economic data suggested to investors that the Federal Reserve might not raise interest rates at its January 31 meeting of the open market committee.

Before last week there was a near-universal consensus on Wall Street that there would be a further round of fiscal tightening following the meeting, although there was some debate about how high the Fed might lift rates.

New data out this week, however, has shown that the economy remained strong and that the pendulum has swung back in favour of another rate increase. The Beige Book, a summary of economic activity, released yesterday described the economy as "vibrant around much of the nation in recent months".

Business inventory figures for November, also released yesterday by the Commerce Department, suggested that companies would continue to increase production and add to the strength of the current recovery. In November, business inventories grew by 0.7 per cent, while sales jumped by 1.0 per cent.

Also driving the market yesterday was another round of earnings reports. Pfizer moved ahead $1 to $78⅛ after reporting higher than expected net income. Other companies that announced earnings higher than expectations included US West, up $¼ at $35⅞, Morton International, $⅜ ahead at $30, and Boise Cascade, unchanged at $29⅝.

Shares of AMR, the parent company of American Airlines, lost $⅝ to $58, although the company's earnings increased in 1994 compared with 1993.

BankAmerica, down $⅞ at $41⅝, and Sysco, off $⅛ at $26⅜, both lost ground in spite of reporting earnings substantially in line with expectations.

Kmart, which put on $⅛ at $14⅛, added to its gains made on Tuesday after the retailer announced that it would replace Mr Joseph Antonini as chairman. Mr Antonini will stay on as president and chief executive.

Union Pacific lost $⅝ at $48⅛ after the railroad company announced that it was raising its bid for Santa Fe Pacific to $18⅛ a share or $3.6bn. Shares of Santa Fe gained $⅝ at $18⅞ on the news.

General Motors lost $1 to $40⅞ after a strike broke out at a parts plant, threatening a repeat of a strike last summer which brought production at several of the car plants to a halt.

Mexico

Share prices fell in early trading, pressured by some profit-taking and negative reaction to a less than expected fall in interest rates at the central bank's weekly auction.

The IPC index was off 36.02 or 1.6 per cent at 2,173.47 in low volume of 6.3m shares.

At the auction the rate on the benchmark 28-day Cetes fell by 100 basis points to 39 per cent.

Of 37 shares traded, 24 rose and three fell.

Brazil

Shares in São Paulo were off 3 per cent at midsession, wiping out most of Tuesday's gain, as a bout of profit-taking took hold.

The Bovespa index was down 1,287 at 40,811, in turnover of R$107.7m ($127.4m). Many investors were waiting for a senate vote scheduled for later in the session on a bill regulating government concessions of public services to state and private companies. This would determine whether or not the privatisation of the electrical sector would be speeded up, analysts said.

Telebras preferred was down 1.7 per cent at R$34.

● In Buenos Aires the Merval index was off 2.6 per cent by noon, with most investors also choosing to book profits after recent gains.

Canada

Toronto was mixed at midday as surging gold prices sparked a rally in precious metal shares and restrained losses in other sectors. The TSE 300 was up 8.76 at 4,156.31 by noon in volume of 30.5m shares.

The golds index led gains in six of the market's 14 sub-indices as Barrick picked up C$⅜ to C$31¼.

Weak sectors included transport, communications, real estate and merchandising.

Alcan Aluminium rose C$⅛ to C$33 in a positive response to the company's return to profit in 1994.

Slocan Forest Products lost C$⅜ at C$15⅞, with analysts noting that the company's stiff resistance to Canfor's bid had put the takeover in doubt.

SOUTH AFRICA

It took afternoon profit-taking and a strong financial rand to take the edge off early gains in gold and mining-related shares. However, selective local selling meant that industrials failed to benefit from the generally positive mood.

The overall index added 5.9 at 5,520.9, industrials fell 64.4 to 6,668.0 and the golds index firmed 56.5 to 1,810.1.

De Beers moved forward 75 cents to R93.75, SAB declined 75 cents to R93 and Vaal Reefs advanced R12 to R345.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Jan. 13 1995	% Change over week	% Change on Dec '94	Local currency terms Jan. 13 1995	% Change over week	% Change on Dec '94
Latin America	(259)	542.26	+3.2	-6.5			
Argentina	(30)	750.64	+5.4	+2.2	460,701.71	+5.4	+2.2
Brazil	(72)	362.93	+4.0	-5.6	1,148,895,972	+4.9	-5.7
Chile	(36)	791.67	+2.9	+0.8	1,283.58	+2.9	+1.7
Colombia[1]	(16)	870.03	+0.6	+7.2	1,300.19	+1.4	+8.8
Mexico	(73)	533.01	+3.1	-12.2	1,211.54	-1.6	-6.0
Peru[2]	(20)	174.07	-4.7	-2.4	231.88	-5.1	-2.5
Venezuela[3]	(12)	459.23	-1.7	-7.2	1,793.33	-1.7	-7.2
Asia	(659)	226.57	-7.3	-9.2			
China[4]	(20)	65.17	-8.8	-14.1	69.52	-8.9	-14.1
South Korea[5]	(159)	127.56	-0.1	-6.7	133.25	+0.3	-6.0
Philippines	(25)	259.64	-11.6	-12.9	307.30	-11.5	-12.5
Taiwan, China[6]	(93)	151.75	-4.7	-7.7	149.93	-4.6	-7.6
India[7]	(103)	113.65	-4.4	-8.0	126.62	-4.4	-8.0
Indonesia[8]	(42)	90.13	-13.2	-9.7	111.34	-10.2	-6.5
Malaysia	(114)	242.42	-7.6	-9.8	228.98	-7.3	-9.6
Pakistan[9]	(36)	358.77	-3.6	-2.0	502.29	-3.4	-1.8
Sri Lanka[10]	(19)	171.95	-3.2	-0.0	185.77	-3.2	+0.2
Thailand	(68)	352.56	-9.0	-8.1	352.07	-8.9	-7.9
Euro/Mid East	(147)	115.34	-0.9	-2.7			
Greece	(40)	220.86	-3.0	-2.1	356.51	-4.4	-3.0
Hungary[11]	(5)	138.34	-9.4	-8.8	189.34	-8.9	-8.3
Jordan	(8)	152.62	+0.7	+1.7	225.00	+0.4	+1.2
Poland[12]	(16)	468.02	+0.8	-0.3	714.62	+0.1	-0.8
Portugal	(29)	119.52	+0.1	-1.3	130.08	-1.1	-1.8
Turkey[13]	(44)	117.10	-0.1	-3.8	2,198.21	-0.9	-0.7
Zimbabwe[14]	(5)	249.91	+0.0	+2.1	309.28	+0.4	+2.6
Composite	(1065)	284.05	-2.4	-7.6			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)June 2 1993.

Emerging market strategists have been running fast to keep up with developments following the recent crisis in Mexico, writes John Pitt. In an effort to create some order out of the current chaos, Mr David Roche and his team at Independent Strategy conclude in a recent analysis that a country's financial markets will emerge truly only if the economy is restructured.

"Mexico has proven that some markets will submerge if they do not. The recent crisis may come and go, but we are convinced that it will change emerging market investment profoundly, purging it of the excesses of a fad . . . and that is healthy."

It follows, the team continues, that "emerging markets without the right macroeconomic policies for restructuring will underperform this year as funds are withdrawn and parked in US dollars; rising US interest rates and a rising dollar will see to this". Countries in this category include Hungary, Thailand, the Philippines, India, Pakistan and a number of Latin American nations, with the exception of Chile. Countries taking steps to restructure include Indonesia, Korea, Taiwan, Chile and Poland.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY JANUARY 17 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JANUARY 16 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	165.62	0.1	156.78	103.72	131.92	145.18	0.1	3.97	165.40	156.20	102.59	131.41	145.04	189.15	161.21	175.18
Austria (16)	179.04	-0.7	169.49	112.13	142.60	142.65	-0.4	1.14	180.26	170.24	111.81	143.22	143.21	198.89	167.46	189.29
Belgium (35)	166.99	-0.7	158.08	104.58	133.00	130.09	-0.4	4.24	168.23	158.87	104.34	133.65	130.60	177.04	160.98	160.98
Brazil (28)	158.29	4.6	149.84	99.13	126.07	246.05	4.3	0.92	151.36	142.96	93.88	120.28	235.98	-	-	-
Canada (103)	126.15	-0.9	119.42	79.00	100.47	129.76	-0.3	2.66	127.25	120.17	78.93	101.10	130.19	145.31	120.54	143.25
Denmark (33)	252.00	-0.7	238.55	157.82	200.71	206.89	-0.4	1.44	253.73	239.62	157.38	201.58	207.72	275.79	236.61	264.59
Finland (24)	189.61	-1.2	179.49	118.74	151.02	188.02	-1.2	0.74	191.86	181.19	119.00	152.43	190.24	201.41	133.88	144.03
France (102)	162.75	-0.9	154.07	101.93	129.63	135.21	-0.7	3.17	164.32	155.18	101.92	130.55	136.22	185.37	159.34	174.01
Germany (58)	142.79	-0.4	135.17	89.43	113.73	113.73	-0.2	1.83	143.37	135.40	88.93	113.91	113.91	150.40	128.37	131.49
Hong Kong (56)	302.32	1.2	286.19	189.33	240.79	300.71	1.3	4.15	298.65	282.05	185.24	237.28	296.88	493.01	287.15	444.49
Ireland (16)	209.93	-0.1	198.72	131.47	167.20	190.91	-0.1	3.34	210.24	198.55	130.41	167.04	191.07	216.60	177.56	203.13
Italy (59)	79.53	-1.6	75.29	49.81	63.35	95.36	-1.3	1.66	80.80	76.31	50.12	64.20	96.61	97.78	67.25	68.72
Japan (484)	152.21	-1.6	144.09	95.32	121.23	95.32	-0.6	0.79	154.66	146.06	95.93	122.88	95.93	170.10	134.69	136.91
Malaysia (97)	449.67	2.0	425.68	281.62	358.16	441.53	1.8	1.91	440.85	416.35	273.45	350.28	433.69	594.76	430.71	500.59
Mexico (18)	1208.86	-2.6	1144.34	757.07	962.62	7176.86	-1.2	1.42	1241.57	1172.55	770.10	988.42	7262.48	2847.08	1028.59	2287.54
Netherland (19)	217.80	-0.7	206.18	136.40	173.47	170.77	-0.5	3.38	219.39	207.19	136.08	174.30	171.62	223.30	191.28	200.62
New Zealand (14)	71.52	0.6	67.70	44.79	56.96	59.38	0.3	4.83	71.10	67.15	44.10	56.49	59.17	77.59	62.05	69.11
Norway (23)	207.23	-1.1	196.16	129.78	165.05	188.27	-0.9	1.84	209.50	197.85	129.95	166.46	189.97	214.65	177.53	190.87
Singapore (44)	351.68	0.8	332.92	220.25	280.11	234.80	0.9	1.83	348.73	329.36	216.31	277.07	232.65	401.38	294.66	339.45
South Africa (58)	305.75	-1.3	289.43	191.48	243.52	279.01	-1.6	2.37	309.67	292.45	192.08	246.03	283.60	342.00	205.55	256.18
Spain (38)	128.11	-0.4	121.27	80.23	102.03	129.33	-0.1	4.48	128.56	121.43	79.75	102.16	129.52	155.79	124.87	142.59
Sweden (48)	239.11	-0.1	226.35	149.75	190.45	263.63	-0.2	1.48	239.37	226.07	148.47	190.16	264.21	242.81	196.70	218.41
Switzerland (47)	164.55	-0.7	155.77	103.05	131.08	131.34	-0.3	1.86	165.66	156.45	102.75	131.62	131.78	176.56	149.91	163.89
Thailand (46)	141.43	1.8	133.89	88.57	112.65	137.53	1.7	2.77	138.90	131.17	86.15	110.35	135.23	-	-	-
United Kingdom (205)	194.29	-0.9	183.92	121.68	154.75	183.92	-0.7	4.20	196.03	185.13	121.59	155.76	185.19	214.86	181.11	207.84
USA (513)	192.53	0.1	182.26	120.58	153.34	192.53	0.1	2.88	192.24	181.55	119.24	152.73	192.24	196.04	176.95	192.44
Americas (882)	177.70	0.1	168.21	111.29	141.53	148.01	0.2	2.83	177.46	167.60	110.07	140.99	148.76	-	-	-
Europe (723)	169.13	-0.8	160.10	105.92	134.70	149.91	-0.6	3.11	170.45	160.98	105.73	135.42	150.73	178.58	160.59	170.40
Nordic (128)	229.26	-0.5	217.02	143.57	182.59	214.70	-0.5	1.38	230.35	217.55	142.88	183.01	215.70	233.91	197.70	209.59
Pacific Basin (809)	158.70	-1.2	150.23	99.39	126.40	103.71	-0.4	1.17	160.65	151.72	99.65	127.64	104.13	178.86	148.16	149.42
Euro-Pacific (1532)	162.95	-1.0	154.25	102.06	129.78	121.81	-0.5	2.01	164.64	155.48	102.12	130.80	122.38	175.14	156.00	156.00
North America (616)	188.42	0.1	178.36	118.00	150.07	188.24	0.1	2.87	188.21	177.75	116.74	149.53	187.99	192.73	175.67	189.38
Europe Ex. UK (518)	151.83	-0.7	143.73	95.09	120.93	129.73	-0.5	2.48	152.93	144.43	94.88	121.50	130.37	158.12	144.12	147.34
Pacific Ex. Japan (325)	224.82	1.0	212.82	140.80	179.06	197.88	1.0	3.37	222.56	210.19	138.05	176.83	195.96	291.75	217.36	269.00
World Ex. US (1740)	163.62	-1.0	154.89	102.47	130.32	125.20	-0.5	2.02	165.27	156.08	102.51	131.31	125.77	176.65	160.22	160.22
World Ex. UK (2048)	169.94	-0.6	160.87	106.43	135.35	141.75	-0.2	2.13	170.90	161.40	106.00	135.78	142.09	178.59	164.27	166.35
World Ex. Japan (1769)	184.54	-0.2	174.69	115.57	146.99	175.55	-0.1	2.96	184.86	174.58	114.66	146.87	175.68	195.20	176.34	188.96
The World Index (2253)	172.09	-0.6	162.91	107.78	137.07	145.57	-0.2	2.33	173.11	163.49	107.39	137.54	145.92	180.80	166.19	169.96

Latest prices were unavailable for this edition. Osaka market closed 17/1/95. Name Change: American Barrick Resources now Barrick Gold. (Canada) 18/1/95.

EUROPE

Bourses recover from earlier weakness

With variations, recovery after weakness seemed to be the theme of the day, *writes Our Markets Staff.*

MILAN was volatile, sinking 3.3 per cent in early trade in response to what appeared to be an increasing intractable political situation. But subsequently, prices picked up to finish 1.5 per cent higher amid indications that Mr Silvio Berlusconi, the outgoing prime minister, might offer support, albeit temporarily, to enable the new administration of Mr Lamberto Dini to survive.

The Comit index registered a fall of 13.39 to 657.86 but the real time Mibtel index finished 157 higher at 10,761, after a low of 10,268.

Turnover was estimated at around L1,300bn, down from the levels of the previous two days but more than double that seen in recent weeks; this, said an analyst, indicated buying by foreign and domestic investors during the session.

Fiat saw strong demand late in the day, picking up from a low of L6,325 to finish L113 ahead at L6,630 in volume of 31.6m shares. Generali rose L360 to L39,887, and Montedison was L31 higher at L1,345 in heavy volume of 82m shares.

PARIS recovered its composure after midsession turbulence, and the CAC-40 index ended 3.33 up at 1,860.27, after a low of 1,843.51.

Mr Edouard Balladur's confirmation that he would contest the presidential election failed to excite a great deal of interest; an announcement had been expected for days.

Peugeot was the day's main feature on a report which said that it was considering a return to the US car market, which it left in 1991.

With a suggestion that investment could reach a maximum of $4bn, the shares fell heavily at the start of trade, touched a low of FFr706, recovered slightly and closed off FFr13 or 1.7 per cent at FFr726.

Mr François Colli, European motor analyst at Paribas, remarked that, in his view, speculation that the group might make a decision on its investment plans by May was unfounded. He thought a final announcement might take between one and two years, which would mean investment potentially commencing in 1998/1999.

For the short term, Mr Colli maintained his positive stance on the group, given the quality of the current product range, the huge improvement that had been seen in recent years in productivity and the strength of its financial position. Among other stocks in the sector, Renault lost 70 centimes to FFr176.80, Michelin moved ahead 60 centimes to FFr207.50 and Valeo declined FFr4.50 to FFr252.10.

ZURICH picked up from the day's lows as the market digested 1994 sales figures from Roche, and the SMI index finished 10.8 firmer at 2,593.6.

Investors initially gave a muted response to Roche's announcement that last year's sales rose by 3 per cent in Swiss franc terms, with the strength of the franc depressing a foreign currency gain of 10 per cent. But subsequently the shares improved to close SFr80 ahead at SFr6,325 as analysts drew attention to a strong performance from existing pharmaceutical product lines, before acquisitions.

Ascom, the telecommunications group, jumped SFr75 or 6.3 per cent to SFr1,260, as the company confirmed that it expected to report a return to profit for 1994 following losses of SFr336.6m in 1993 and SFr46.4m in 1992.

FRANKFURT was rescued in the afternoon by a rally in bund futures. After easing 5.02 to 2,078.05 during the official session, the Dax index recovered to an indicated 2,085.62 in the post bourse. Turnover fell from DM5.9bn to DM4.8bn.

In a strategy review, Hoare Govett indicated that the German equity market was trapped by its relative strength: a prospective p/e ratio of 17.2, the broker said, should be reduced to 15.5 at the end of this year even if the Dax rose to 2,250; but on this basis, the market offered no more than fair value.

Among significant individual stock moves, Continental, the tyremaker, advanced DM4.70 to DM233.70 on the back of price increase hopes, said Mr Christopher Will at Lehman Brothers; and SAP, the computer software group, climbed DM63 or 5.8 per cent to a new 1994-95 peak of DM1,143, up 222 per cent from its 1994 low point of DM355.

AMSTERDAM notched up a modest gain, the AEX index adding 0.56 at 414.45.

Philips continued to attract attention following a number of brokers' upgrades, with the shares appreciating 50 cents to Fl 11.10. DSM, the chemicals group, improved 60 cents to Fl 141 and, after the close, announced that 1994 net profits were likely to exceed Fl 500m against earlier projections of Fl 400m.

MADRID thanked a recovery in bonds and a slight rebound in the peseta as the general index rose 0.32 to 282.22; turnover was low at Pta19.64bn.

TEL AVIV swung with the bureaucratic wind. After rising on Tuesday when an income tax commissioner said that implementation of the new capital gains tax on bourse transactions might have to be postponed, the Mishtanim index fell 4.76 or 2.9 per cent to 160.08 yesterday after an overnight statement from the Israeli treasury that there would be no delay.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Jan 18 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	
FT-SE Eurotrack 100	1319.60	1320.26	1320.33	1320.98	1320.88	1321.19	1324.11	1327.01
FT-SE Eurotrack 200	1379.54	1379.41	1379.90	1382.09	1382.58	1381.88	1383.64	1384.86

	Jan 17	Jan 16	Jan 13	Jan 12	Jan 11
FT-SE Eurotrack 100	1329.85	1332.54	1314.76	1308.65	1314.96
FT-SE Eurotrack 200	1385.53	1389.97	1376.31	1368.44	1377.57

Base 1000 (26/10/90). High/day: 100 - 1327.01; 200 - 1385.21 Low/day: 100 - 1319.47 200 - 1378.91 † Partial

ASIA PACIFIC

Constructions in demand after Kansai quake

Tokyo

Volume soared in the aftermath of the Kansai earthquake, but selling on rallies and profit-taking offset gains from continued brisk demand for construction-related stocks, and the Nikkei 225 average ended fractionally lower, *agencies report.*

The index was off 18.01 at 19,223.31 after a day's high of 19,321.36 and low of 19,201.10; but brokers, whose own share prices have been depressed by the lack of equity business, were relieved that volume soared to an estimated 340m shares from Tuesday's 210m, hoping that it was the beginning of a trend. Falls led rises by 574 to 423, with 151 issues unchanged. The Topix index of all first section stocks dipped 3.74 to 1,499.46 and the Nikkei 300 lost 1.10 at 275.54. In London the ISE/Nikkei 50 index firmed 2.38 to 1,237.72.

All of the first section's 10 most heavily traded stocks were related to the earthquake theme. Seven were construction companies, one a cement maker, Sumitomo Osaka, one a glass manufacturer, Nippon Sheet Glass, and the last a non-life insurance company, Nissan F&M Insurance.

Obayashi and Okumura, both based in Osaka near the hardest hit port city of Kobe, were again the day's most active stocks, rising Y25 to Y710 and Y70 to Y870 for gains of 11.3 and 18.5 per cent since the earthquake struck.

Buyers were principally individual investors and dealers. Sellers hit Mitsubishi Electric, which had five of its factories damaged and fell Y24 to Y665.

Daihatsu Motor, whose Osaka production was badly affected by the quake damage, shed Y28 to Y555. Osaka Gas, which halted gas supply to Kobe and other cities in the region, edged down Y3 to Y381. Meanwhile, the OSE average fell 66.40 to 21,0433.32.

Roundup

Sentiment was mixed around the Pacific Rim, although post-earthquake speculation arose in Seoul and Taipei.

SEOUL saw an end to its four-day slide as active demand re-emerged on speculation that the earthquake in Japan would lead to sales increases for local companies.

The composite index was 9.70 better at 966.66 after touching 973.94. Brokers said the government's plan to ease its liquidity squeeze for the first quarter and an agreement among stockbroking houses to buy more shares also boosted investment interest.

TAIPEI improved 1.7 per cent on strength in cement and steel companies, which could benefit following the earthquake in Japan. The weighted index put on 107.73 at 6,623.52 in turnover of T$61.2bn.

Chia Hsin, Taiwan Cement, China Steel and Tung Ho Steel all rose by the daily 7 per cent limit. One broker observed that Japan was expected to reduce steel and cement exports to Taiwan because of an increase in domestic demand at home, thereby increasing the likelihood of price rises in cement and steel products.

HONG KONG edged ahead, but turnover was thin after the strong rally earlier in the week. The Hang Seng index finished 23.69 higher at 7,630.20 as turnover shrank from HK$3bn to HK$2.2bn.

SINGAPORE's property stocks were hit by late selling after a government land sale brought lower than expected prices. The Straits Times Industrial index slipped 2.48 to 2,103.56. DBS Land gave up 16 cents at S$3.62 as speculation that it planned to launch a new project shortly at attractive levels to encourage buyers depressed the stock.

KUALA LUMPUR ran into profit-taking after its strong performance in the previous two days and the composite index receded 8.02 to 918.74.

Malaysian Airlines jumped 65 cents to M$8.30 on rerating by analysts following its link with Virgin Atlantic.

BANGKOK featured buying in Electricity Generating (EGCO) and telecommunications issues as the SET index climbed 20.42 to 1,285.57. EGCO added Bt5 at Bt59 in turnover of Bt1.5bn, some 24 per cent of total market volume.

TelecomAsia rallied for a second consecutive day, rising Bt3 to Bt80 in Bt418.1m turnover on expectations that the company would reap good profits from a contract to install 2m telephone lines in the Bangkok metropolitan area.

KARACHI dropped at the close amid selling pressure in selective blue chips which brought the KSE 100-share index below 2,000 to finish 20.70 down at 1,987.97.

SYDNEY ended higher on a late rally in futures prices. The All Ordinaries index gained 8.0 at 1,886.5, the day's high, in turnover of A$347m.

WELLINGTON saw late buying of leaders which took the NZSE-40 capital index to its highest close so far this year, adding 19.06 at 954.85, in high turnover of NZ$42.8m.